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THE IMPENDING CRISIS



GEORGE WHICHELLO



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OR

PROSPERITY ANALYZED

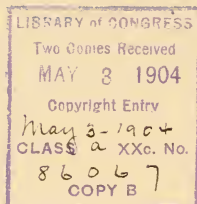


THE IMPENDING CRISIS
OR
PROSPERITY ANALYZED

BY
GEORGE WHICHELLO

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INTRODUCTION

The new century has begun and the American people find themselves first among the family of nations—a land flowing with milk and honey, a people born to genius and renown, a system of government theoretically established upon the brotherhood and equality of all men. With these attributes of greatness the student of history could, with no show of vanity or boasting, predict a future even more glorious than any period the past has ever disclosed.

No period of the world's history can stand comparison with the present. In material production, in the arts, in science, literature and invention we have outrun the most extravagant predictions. With the increased inventions which annihilate time and space, the world in a certain sense has become smaller and smaller. What was new yesterday is old today. Ideas and traditions which had held for centuries have been seen to vanish before the spirit of investigation and discovery. The torch of rea-

son has spread a light wherever it has appeared, and yet it has scarcely begun to do its work. In both the inorganic and organic sciences wonders have been performed, and these, too, in the face of ignorance and superstition.

We turn for a moment from the picture—from a picture where science is steadily advancing to a picture where government still wears the ancient garb of privilege, slightly altered, to the modern style of expediency. We have seen what has been done; let us learn what is yet to be done.

The political horizon looks dark and lowering, charged with the electricity of coming events. Much has been done in the halls of legislation for monopoly and privilege, but little for humanity. Beggars walk our streets, tramps throng our highways and prisons and almshouses are filled to overflowing. Already there loom up in the distance the signs of another social and industrial paralysis. The efforts of politicians to give us a true system of political philosophy have been futile, while their slavish submission to organized wrong is but hastening the day when the last straw shall have been put upon the camel's back and patience shall have ceased to endure.

The feeling of unrest which pervades all classes of society is a potent suggestion that something is wrong—something is lacking in

our national organization to make us a happy, harmonious unit. Political freedom has generally been admitted, but those political somnambulists who think that this is the end and aim of government have yet to learn that there can be no permanent political rights until the rights of man to his natural inheritance—the earth—has been established.

If history teaches us anything, it teaches that the concentration of wealth in the hands of the few has invariably been the great cause of the destruction of free government. We trace the history of the great nations of the earth—of Egypt, Babylon, Greece, Rome—their origin existing only in fable and story. Communities form, governments are instituted, they flourish for a while, do their work, decay and die. The story of one is the story of all. The thoughtful man asks himself the question: Is this all there is of life? Are we similarly to play our part in the world's great drama?

Behold in France, a century ago, that awful tragedy, the natural consequence of ignorance, oppression and wrong, when the pent-up indignation of hundreds of years broke forth and spread such awful havoc as the modern world had never seen. See in our own country, a little more than a generation ago, the inevitable result of one man attempting to own another; when one million lives were sacrificed to abolish

that cursed institution—chattel slavery. But slavery is not abolished. The form of our serfdom has merely undergone a change. Industrial slavery is still here in all its horror, wrecking the lives of thousands every day, enslaving woman, robbing childhood of its joys, and making beasts and liars of honest men.

This book is a protest against existing conditions, and is written with the hope that it may arouse the people from their lethargy and awaken them to a knowledge of what awaits them if something is not done soon. It will offer them a prosperity which is easily within their power to obtain, the author firmly believing that no prosperity is genuine unless it is enjoyed by all.

THE IMPENDING CRISIS

OR

PROSPERITY ANALYZED

CHAPTER I

WHAT MUST HAPPEN

A crisis is inevitable. The human mind is so constituted that it remains in a state of lethargy until it is nerved to action by force of circumstances—by events. Men of ordinary mental capacity do very little reasoning. Their minds are swayed by events. It has never yet been given to any man to exactly foretell the future, yet we may know, if we can know anything, that punishment is sure to follow every violation of Nature's laws.

As it is with the individual, so it is with the nation. We cannot on the one hand be telling men that they are equal before the law, and then deny them the equal opportunity to make

an honest living. It would seem just if one should propose that the workingman should be the rich man, and yet in this great republic of ours we have the sorry spectacle of the workingman being the poor man. Surely there must be something wrong. By the term "workingman" is meant every one who by brain or brawn gains his living by honest labor, either in the producing of wealth or rendering service for service. It may be contended that the American workmen retain more of the fruits of their labor than do those of any other nation. Even if this were so, they will not be content, and justice will not be done until they retain *all* the fruits of their labor. As each year passes by the worker finds that more and more is being taken from him to meet the exactions of class legislation, and that it will be but a matter of a few more generations before he will be in as sad a plight as the toilers of Europe. He is not only burdened with the support of an aristocracy at home, but he must support one in Europe. It has been estimated that fully two hundred millions of dollars are paid each year to foreign landlords by American citizens merely for the privileges of living and working in their own country, and this does not include dividends and interest on watered stocks held by European capitalists.

But in a republic why should there be an aristocracy? This word was at one time hateful to every American, but during the last twenty-five years, by our close relations with Europe and by the marriage of the daughters of our millionaires to titled foreign fops, we have come to regard the word with indifference, even with respect. In a true republic there should be no aristocracy but a *working* aristocracy. All other aristocracies have their basis in some special privilege, such as the possession of the land, and the consequent appropriation of ground rent. What does the landlord, *as* landlord, do for the happiness of mankind, for the furtherance of civilization? Nothing whatever. He does not render service for service. He creates no wealth. In every instance he is an obstacle to progress and to the production of wealth. He is an earthly god, forming the habits and environments of his fellow creatures. A system which allows one man to levy tribute upon another man for the privilege of living on God's earth is a system born of evil. There is no good in it and we can never have a science of government until we get rid of this land monster.

There are those who, because they themselves are enjoying a little prosperity, imagine that every one else is doing the same. They seem to think that because they have a full

stomach no one else ever feels the pangs of hunger. They are generally of the "upper ten"—the "upper crust"—and do not see the writhing mass of humanity beneath, a great part of whom scarcely know where the next meal is coming from. There are girls and young women in our large cities whose wages amount to but forty or fifty cents per day. It should be a cause of wonder that women can maintain their honor upon such wages. Truly our wage system is not very conducive or encouraging to morality. If we could count the thousands that are born into this world to lead a life of vice and crime we would stand aghast in horror. If we could feel the anguish and despair which are the constant companions of these poor souls, our hearts would melt with pity. And yet what is pity without a remedy? Our social system is the manufactory of crime. We must know that poverty is the greatest of all the generators of crime. Involuntary poverty, enforced idleness—these are the harbingers of evil. We cannot hope to reform the world by building jails, prisons and almshouses; by establishing soup kitchens and charitable institutions. We cannot continue to run the world on charity. Mankind wants no gifts. It is not fair that we should insult him with an offer of alms. Mankind wants justice. Man wants an opportunity to employ himself freely

in those bounties of nature which our Heavenly Father has so abundantly bestowed upon him. In our Bible we say, "The earth hath He given to the children of men;" but in actual practice we say, "The earth hath He given to *some* of the children of men." There is room enough for all, and there would be happiness for all were it not that we, through foolish pride, through lust for gain and self-aggrandizement, cut each other's throats to gain a stepping-stone to an ephemeral greatness. There is room enough in these United States for the entire population of the earth, and yet with the population we have, hard times and starvation are no strangers here. If the forces of nature were not forestalled and monopolized by a few, if the land were not held out of use by paper titles, wealth would be created in abundance and there would be no idle hands, no starving mouths.

The cry has been raised by some, that there are too many people in the world. Just think of the blasphemy of the idea that God sends more mouths into the world than He can feed! The earth may be likened to a ship, upon which we are all travelers and sojourners. Would any sensible captain put to sea without thoroughly provisioning his vessel for the voyage? This would be mere human wisdom. And yet we are ever ready to accuse some one else, and so, to ease our own shoulders, do not hesitate to

accuse and blaspheme the Almighty. Can any sane man suppose that an all-wise Father has placed us on this globe and set us adrift through infinite space without providing for all of his children? It is not God's inhumanity to man; it is man's inhumanity to man. It is our own niggardliness, not the niggardliness of nature. It is our own injustice to each other, and because we persist in violation of God's law that these evils are upon us. A prophet of old has summed up the whole matter by saying, "Cease to do evil, learn to do good."

CHAPTER II

EMPLOYER AND EMPLOYED

We hear a great deal about employer and employed, of capital oppressing labor, and much other vague and indefinite stuff. In the actual scientific meaning and in a just and equitable condition of society, we are all employers of each other, and land is the constant and ultimate employer of us all. To say that A employs B is only half the truth, because A is directly or indirectly employed by B, otherwise there could be no equation of exchange. A merchant, for instance, in starting a store employs clerks; but is not the merchant, in the broader sense of the term, an employee also? Does he not perform a service for the community, and in so doing is he not an employee of the community? To perform an exchange two parties are necessary—two parties must necessarily be employed; but when one is continually giving without receiving and the other continually receiving without giving, it is self-evident that this is not exchange, but simply robbery. Exchange bears a natural relation-

ship to employment. It is the final act of human labor to complete production, and any restriction or interference with the working of this vast piece of living machinery will react on the market of employment so as to depress wages, diminish production, make the rate of interest fluctuate, and have a constant tendency to produce panics and hard times. Instead of obtaining the maximum of production with the least expenditure of human effort, in nature's way—that is, with the union of free capital and free labor—we experience a condition of great injustice, in which capital and labor are both shorn of their productive power.

If capital is not free to be employed by labor, then how can labor be free?

Every dollar of tax which is put upon capital diminishes the productive power of labor, for the taxes, which are generally supposed to be paid by the capitalist, are shifted to the shoulders of labor and wages are made that much less.

We speak of capital oppressing labor, but in actual fact the statement is entirely erroneous, being based upon a false conception of the elements that constitute political economy. Capital is not a primary element in production, such as land or labor. Capital is a creation of man. Now, how is it possible for the creature to oppress its creator? It is entirely unphilosoph-

ical to suppose that such could be the case. When we speak of capital oppressing labor we are "barking up the wrong tree" and assuming the effect to be the cause. Capital under natural conditions is the hand-maid of labor—the means to an end.

What in common acceptance is the *employer* is, in the light of reason, the *employed*—for capital does not employ labor, but on the contrary, it is labor which employs capital. To-day capital is divorced from labor because labor is divorced from the land. The difficulty lies in the inability to distinguish the apparent from the real. The real conflict is not between capital and labor, but between *landlordism* and labor. Labor accuses capital of wrongs which are the natural result of landlordism, and capital retaliates by accusing labor of wrongs which are also the result of landlordism. We must not forget the fact that labor and capital are both alike oppressed by the land monopolist and that the oppression itself is the natural expression of our vicious land policy.

That policy is private *property in land*. If the earth, the mother of us all, can justly be private property, then man must be private property. But since man cannot in justice be private property, then the earth cannot in justice be private property.

Between landlord and capitalist there is a vast difference. A man may be a land owner and yet not possess a dollar of capital, or a man may be a capitalist and yet not possess a foot of land.

Every trust formed is in the last analysis a species of land monopoly, and its power to oppress is inherent in that fact alone, for no monopoly can work any severe or lasting injury which does not rest upon the private monopoly of some natural opportunity.

In the strikes against the steel and coal trusts the companies are not the losers, for they reimburse themselves by advancing the prices on what the people must have, and the general public pays the entire bill, the cost of the strike included. The trust system is the natural result of our system of taxing labor, and if the system could be carried to its logical conclusion, one man could own the whole earth and the rest of the inhabitants would be his tenants. Thus the question of employer and employed is reduced by the reason to its farthest possible limits. Every question affecting the employment of labor, every question of tariff, every question of finance or of public revenue in general is in the last analysis a land question.

To-day, amidst all the strife and contention in the industrial world, we see the hideous spectacle on the one hand of landlords combining to

secure a monopoly of production and on the other hand of trades unions combining to secure a monopoly of employment. Neither system belongs to the grand economy of nature; both are subterfuges invented by man to escape the wrong engendered by his *deliberate* violation of the laws of the universe. With freedom of opportunity for self-employment, the evils associated with trusts and trades unions would vanish.

Landlords and politicians are very shrewd in filling the press with all sorts of plans for reconciling capital and labor, thus fostering the impression that capital and labor really are in conflict. Their *real* purpose is to divert public attention from the real cause and thus make themselves secure in their present position. Such men profess anxiety that capital and labor shall be on more friendly terms; that strikes and lockouts shall be made impossible. Take the average corporation employee, who in most cases is compelled to live a cramped and undeveloped life. Why is he forced to overwork himself, to ruin his health and shorten his life, and live in such conditions as to make his feelings toward his employers that of hatred rather than of friendship? Why do these pretended peacemakers persist in all this hypocritical talk when they themselves possess the power and opportunity to bring about the conditions for

which they profess such an ardent desire? The employee cannot hold in esteem men, who in their relation to him appear as one thing, and in their relation to the general public appear as something entirely different. Organized hypocrisy is everywhere breeding anarchy and crime. The suggestions and methods of rich men are wholly impotent to cure the corruption of to-day. Their suggestions, summed up, amount to saying: "Yes, I believe that stealing is wrong, but please do not stop *me* from stealing. I believe in the equality of all men, but please do not make *me* equal with other men by taking my special privileges from me."

Let us not be deceived into thinking that capital oppresses labor and that labor must wait for capital to employ it. Neither one has more than land monopoly will give it. Remove this great obstacle. Then labor and capital will work in harmony and with renewed force. The frequent dissensions that exist between employees and their employers would cease, and thus in peaceful security we would pave the way for that permanent prosperity, "when they shall sit every man under his vine and under his fig tree and none shall make them afraid."

CHAPTER III

WHO PAYS THE TAXES?

The American people must learn that the price of labor is determined in the same way that the price of any commodity or product of labor is determined, namely, by the law of supply and demand. When the supply is abundant and there is no demand, then the price falls. When the supply is small and the demand is great, then the price is high.

Let us take the case of a clerk in any large corporation, and let us, for illustration, call him John. John is getting a salary of, say \$50 per month as bookkeeper, copyist, stenographer, or for some similar work. As he grows older he finds that he has new wants, new needs, and has probably reached a marriageable age, and has begun to think seriously upon the subject. He goes to his employers and asks if he cannot have an increase in his wages, saying that he has been with the company a considerable length of time and has done good work, and winds up by saying that he is deserving of more pay. His employers listen to him respectfully,

but at the same time fully realize the *disadvantage* of John's position in the matter and the *advantage* of their own position. They may be men who, under certain circumstances and conditions, would be actuated by the noblest instincts. But what are these when we are dealing with dollars and cents. They may be charitable enough even to grant the request of John and add a few dollars to his pay. But they need not do this if they do not choose to do so. They can plainly tell John that they can get *plenty of young men who would be glad to do this work for \$30 or even less per month*, and that if he is not satisfied with his position he can step down and out. John sees that further argument is wholly unnecessary and walks away thoroughly discouraged. Now, then, is it not clear to you that you cannot hope to demand better wages so long as there is another man waiting to take your place at the same or *even less wages* than you yourself now receive? The principle to be deduced from this is that it is the *idle* man who determines the wages of the man that works. Let us get that idle man employed, and then we will be in a position to demand a just wage. The idle man is the dangerous man to society.

But why are there idle men? Why should there be any involuntary idleness? The answer to the above questions is found in our vicious

system of taxation, for by that system we make employment scarce, and with the constant increase of population men are forced to compete with each other at starvation wages.

Let us take another illustration and show how our present system of taxation works, and how it is responsible for the condition that confronted John. We have large manufacturers in this country who say that they are heavy taxpayers. The fact is that they are not at all. They do not pay the tax; they simply *advance* it, and the tax which they have paid is added to the cost of producing the article. The next man who handles it adds his profit to the selling price, and so on, each man adding his profit until it reaches the consumer, *who foots the bill*.

Thus far we see that it is the consumer who pays all the tax and not the manufacturer. But let us carry the analysis still farther, and we shall see that by the same operation the poor man must not only pay the tax, but that his wages, with which he must pay it, are made smaller. When we tax an article we naturally make it dearer; when we make it dearer the demand for it slackens; when the demand slackens the production slackens, and when production slackens, those who were employed in its production are thrown out of work.

It is frequently asserted that only those are taxpayers who own real estate and pay a tax to

the assessor. In actual fact every one who buys anything is a taxpayer and an employer of labor. When a person makes a purchase he must be taxed if any portion of the product or any agency in its production has been taxed. This ought to be clear, even to the most untutored. But there is a class of high-flown economists who will not listen to a simple explanation, but would rather insist upon the dogmas and superstitions of an antiquated system of political economy and who would have us believe that the way to raise wages is to impose a protective tariff upon the people. This is not an age of miracles, but an age when men are supposed to use their common sense and their reason. We are taught that when we levy a tax upon imported goods the foreigner pays the tax, when it is very plain that *he* does not pay the tax, but that we *ourselves* pay it.

A tax upon imports is virtually a tax upon exports. We will take the case of a farmer who is shipping his wheat to some European port, Liverpool, for instance. We speak of selling our goods when we really mean exchanging our goods. Very little money, comparatively, changes hands. It is an *exchange* of commodities. The wheat arrives in Liverpool and is exchanged as soon as possible for other goods of Europe. There has been no tax

upon the goods leaving America, but the moment their equivalent arrives at the Custom House in New York the farmer discovers that twenty-five per cent of his goods is confiscated. Imagine a robber who meets you on the street and demands one-fourth of your daily wages and the civil law should justify both his demand and the execution of it. Would not that be parallel to the present tariff system which robs a man under the plea of *protecting* him? Again, it is claimed that *high* tariff means *high* wages, and *low* tariff means *low* wages. I suppose that if they carried their theory to its conclusion *no* tariff would mean *no* wages at all.

Let us see if the notion of the high tariff advocates holds good. Steel can be imported from England for twenty dollars per ton, but the law levies a tax upon it of eight dollars per ton. This shuts out English steel and enables the manufacturers in this country to charge eight dollars more for their goods. Of course our steel manufacturers are all in the business for their health, and are men of such a charitable nature that they immediately convert this extra eight dollars, which the law gives them, into wages for their workmen. To call a fool a Solomon would be irony, but to say that the Steel Trust converts this eight dollars per ton into wages for their employees is as black a

lie as was ever propagated by any political party. When the workman goes to demand his share of the increase in the tariff he is told by his employer that there are plenty of men waiting to take his place, and if he doesn't like his present wages he can step down and out. The thought of a wife and little ones at home causes the laborer to reflect.

Who pockets the eight dollars? Who is protected?

"Protection!" A tariff is an impediment, a hindrance to exchange. That which hinders exchange prevents the production of wealth; that which prevents the production of wealth diminishes the chances for employment and in consequence depresses wages. When wages are depressed the buying capacity of the people is diminished, and the final outcome is "business stagnation." If a tariff is a *good* thing, then the *higher* the tariff the *better* it will be for us, and its ultimate good would not be realized until everything that is exchanged between nations bore a tax to the highest possible limit. If a tariff is a good thing, then we should have a tax upon everything that is taken from one State of the Union into another State. If, on the other hand, a tariff is a bad thing, then the less we have of it the better it will be for us. There is no half-way ground to take, for it must be either right or wrong. If the

hypothesis of protection as a political doctrine be true, then it should be true in its entirety; and if exceptions be found which show a falsity in particular, then it is false in the whole.

The balance of trade is *nominally* always against Europe, but *actually* against the United States; for if the United States sends two hundred million dollars' worth of merchandise to Europe, and Europe sends a hundred million dollars' worth of merchandise to the United States, then Europe is indebted to the United States to the extent of one hundred million dollars. Now, since the United States is not in the habit of giving things away there are only two conditions that could possibly hold—either Europe sends us one hundred million dollars in specie or else that amount is already due her as dividend and interest on investments in this country. As Europe does not send money to us, but on the contrary it is we who are always sending money to Europe, the second condition is the only one that can be true. It is astonishing that the average American will boast of such a condition. There can be no reason for such boasting except ignorance. After a careful survey of the tariff question how pre-eminently absurd does the balance of trade fallacy appear.

The government bond system inaugurated during the Civil War is one of the methods by which millionaires and paupers are made, and

a protective tariff is another. Government bonds, bank currency, protective tariffs, special privileges—these are kingly institutions and are incompatible and destructive to a republican form of government. Kings have never lacked arguments to defend the existing order of things, and politicians of to-day are of the same breed and stamp.

Must we close our eyes to the downward tendency which has already begun and which will continue with an accelerated momentum each year? I anticipate that I will be called "pessimist" by those who are ever ready to label others with the badge of their own conceit. Is it pessimism for a physician to affirm the presence of disease in the human organism, and would it be pessimism for a sociologist to affirm the existence of disease in the social organism—society? Is it pessimism honestly to admit the existence of evil and to take steps towards its abolition?

The evils under which we suffer are entirely of our own making, and will never be removed so long as by our social system we reward falsehood and put a penalty upon truth. Freedom—social, political and industrial—this must be the basis for the new political economy. Without it no democratic theory of government can be constructed, and with it the civilization that is will appear as the Dark Ages to the civilization that shall be.

CHAPTER IV

GOVERNMENTAL AND BANK CURRENCY

Various substances have served man as a medium of exchange in his slow and painful progress in civilization. Iron, bronze, leather, wampum, copper, gold, silver and various other things have at different times and among different tribes and nations served as money. Each may be said to represent a type of civilization, commercially at least; and as commerce has advanced and improved, so the various monetary systems have improved.

The utility of money has increased as the means of production have improved. Money, therefore, has been a very important factor in the civilization of man. The idea of money is associated exclusively with our material wants. It has nothing to do with whatever may be our ideas of religion or our systems of ethics, and yet that monetary system is best which commends itself the strongest to our sense of equity and fairness. It is commonly understood that in our present financial system we have two kinds of money—*specie*, or metallic money, and

paper money. The *fact* is, we have but *one* kind of money, namely, "metal." Paper—or token—money is not real money under our present monetary system. It is an *order* for, or a *promise* to *pay*, money. It is not here contended that the greenback system of currency was an unsound medium of exchange—indeed, it is the view of the writer that it was the best we have ever had—but it is the purpose here merely to show that metallic money is the only money recognized in the financial system, and that what is commonly termed paper money is not money in the true sense at all. By recent legislation gold has been made our standard of monetary values.

If any ordinary person, unacquainted with our financial history, were to attempt to unravel the mysteries of the United States note, coin note, the silver certificate, greenback, gold certificate, etc., he would find that in many cases their monetary value had been determined by the arbitrary ruling of some Secretary of the Treasury. Our note system is anything but scientific; in fact, it is a depreciated currency from the very start. The United States note has this exception clause on the back which limits its utility and vitiates its true character as money: "This note is a legal tender at its face value for all debts public and

private, *except* duties on imports and interest on the public debt."

But how came this mischievous clause upon the people's money? When the Government borrowed funds to carry on the Civil War it was induced by the lenders—or bondholders, through their agents—to put the above quoted clause upon each note in order to insure the redemption of the bonds and the payment of the interest thereon in gold. The mere pledge of the good faith of the Government which the people at large took was not deemed sufficient by the bankers and the privileged classes who purchased the bonds. They must have some special security, some special favor, or the American republic could go to pieces. Through the operation of this "gold clause," as it is commonly termed, the available gold of the country soon passed into the possession of the bankers. This gave to the bankers a monopoly in the handling of gold and gave to gold a preference over all other forms of currency. This in turn created an artificial demand for gold, placed it at a constant premium, led to the demonetization of silver in 1873, and was the entering wedge in making gold the standard of values.

Now imagine, in the first place, the absurdity of a government, possessing the unquestioned power to tax the very shirt off a man's back, being forced to borrow from private individ-

uals. Why could it not first have raised as much as was possible by a graduated tax upon land values, and then, if *that* were found insufficient, have resorted to other forms of taxation? By this method we would have avoided the enormous national debt under which we now groan, and the national bank system of currency would never have been inaugurated.

In the second place our national-bank currency system is based, not upon *credits*, but upon *debits*. It is upside down, wrong in its major premise. The National Bank Act of June 3, 1864, under which these banks now operate, provides that a national bank may by depositing United States bonds with the Treasurer of the United States receive ninety per cent of their par value in notes from him, which notes, when signed by its president and cashier, pass as money as though issued directly by the United States Treasury itself. The bank lends these notes in the course of its business at six per cent or more per annum, according to the prevailing rate of interest in the locality, and all the while also receives interest on the bonds which it has deposited with the United States Treasurer. It therefore receives double interest. But this is not all. A bank note is a promise to pay. It reads as follows: "The Blank National Bank of Blank *will pay to the bearer on demand* blank dollars."

Now, when a man in business makes a similar promise to pay—gives a promissory note—he *pays* interest, but a national bank makes a promise to pay and it *receives* interest. Clearly, then, a banker receives interest on his *debts*—on what he *owes*.

But let us carry the analysis a little farther. He who gets for nothing something produced by labor of another, must necessarily get it at the expense of the producer, and to the extent that the people of these United States must, under this system, give something for nothing, to that extent they are robbed. The bankers may contend that they pay a tax on their circulation. The fact is they do pay a small tax, a very small one. But that is not the point involved. The point is that the system would not be right even if they paid ever so large a tax. To pay a price for the privilege of doing wrong is not justifiable, no matter the amount of the price paid. A financial system that is susceptible, yea, even invites the trickery and manipulation of the so-called financiers, can never be correct.

Our National Treasury has already been converted into a mere bankers' agency. What the bankers want for their own interest they get, and the people have little or nothing to say about it. The currency bill of the Fifty-sixth Congress provides that any bank upon deposit

of government bonds with the United States Treasurer may issue notes to the extent of one hundred per cent of the par value of the bonds. This extra ten per cent over the ninety per cent provided in the National Bank Act is one of the great points for which the bankers of the country have been working for twenty-five years, and it has at last been gained.

If our present currency system is a fair and just one, then why do the bankers make it a point to get hold of all the gold, coin and legal tender notes that they possibly can, in preference to the United States silver certificates. If the system is correct and one note is as good as another, then why should there be that element of fear or even of discrimination?

What is it that gives the bank note its value? Why does it pass at par in every State in the Union? Is it the stability of the bank which issues the note that gives it its currency value? If that were so, why should it be necessary to deposit government bonds for its security? It is the pledge, the bond, of the United States Government behind it which makes it secure. Now, if the United States Government must issue a bond in order to make the note of some banker good, why can it not issue the note itself and save the expense of issuing interest-bearing bonds? This would save the people millions of dollars in interest every year which now go

almost entirely into the coffers of a few rich people. What moral right has one generation to burden another with debts for its own supposed benefit? We should pay as we go along, as any ordinary business man would do, and not allow our debts to accumulate, and thus mortgage posterity.

It will be readily seen that the ultimate object of the bankers is to get complete control of our financial system by substituting bills of their own issue in place of a direct government issue, and to use the National Treasury as a machine to grind out notes and interest, the payment of which must be guaranteed by the very people whom they continually rob.

The intent and purpose of the bankers to establish a system of currency based upon commercial securities, by means of the Fowler and Aldrich bills, or some other iniquitous measure, is clearly evidenced by the following:

A circular sent to the bankers of the country by the executive committee of the Indianapolis Monetary Convention, January 30, 1901, reveals a conspiracy which, if carried into effect, would involve this nation in financial ruin. The title of it is "Our Paper Currency—the Need for Making It Responsive to the Varying Needs of Business at All Seasons and in All Sections." The writers of the circular are very "cute" in endeavoring to get on the

side of authoritative ignorance and hoodwink the people by talking about "overproduction" and an "eminent economist."

The following table will be of interest as showing "how rapidly money has been absorbed into national bank *reserves* in spite of the large amount outstanding during the last few years." By the term reserves is meant large correspondent banks located in the exchange centers—New York, Philadelphia, Boston, San Francisco, etc. These banks are, with the approval of the Comptroller of the Currency, designated as depositaries or reserve agencies of smaller banks throughout the country:

June 30	Money in Circulation	Money in National Banks	Net Money Outside Banks
1879	\$ 818,631,793	\$134,552,439	\$ 684,079,354
1884	1,243,925,696	196,448,894	1,047,437,075
1889	1,380,361,649	288,250,701	1,092,110,948
1891	1,497,440,707	310,014,348	1,187,426,359
1892	1,601,347,187	366,350,496	1,234,996,691
1893	1,596,701,245	289,254,850	1,307,446,395
1894	1,660,808,708	438,931,970	1,221,866,738
1895	1,601,968,473	382,942,306	1,219,026,107
1896	1,506,343,066	344,213,739	1,162,220,227
1897	1,640,209,519	413,518,621	1,226,680,898
1898	1,837,859,895	470,977,127	1,366,852,768
1899	1,932,484,239	492,857,679	1,439,626,560
1900	2,062,425,496	504,194,652	1,558,228,844

It will be clearly seen in the above table that the increase in the volume of money outside of national banks is not in proportion to the increase in volume of money inside national banks. In 1879 the total of money in national banks was about one-sixth of the total volume of currency, while in 1900 the total was nearly one-fourth. On the other hand, the total volume of money outside of banks in 1879 was nearly seven-eighths of the entire volume, but in 1900 it was but little above three-fourths. During these years the total of money in the national banks has proportionately *increased* one-twelfth, while the total of money in the hands of the people has *decreased* proportionately one-eighth. To state the case another way, it is that in 1879 the volume of currency outside of national bank reserves was more than five times the total of the currency in national bank reserves, while in 1900 the total was only a little more than eight times as large. Further than this, since population has increased twenty-five million since 1879, the volume of currency outside of banks is relatively much smaller than would at first be supposed.

The circular above mentioned boasts of the bank notes being the "poor man's money." What we have said will show very clearly in what way it is the "poor man's money." President McKinley is quoted as saying that

"the party in power is committed to such legislation as will better make the currency respond to the varying needs of business at all seasons and in all sections." The circular continues: "It remains to be considered how these desirable results shall be brought about. It may be advisable that the first steps taken should be of a moderate character in order that any defects in the new legislation may be cured and that any question as to its safety and efficiency in the minds of the people may be settled before it is adopted on a large scale." This moderation is suggested at the starting point so as to ward off opposition.

The circular states that "the fundamental benefit of a sound, sufficient and flexible bank note currency is its benefit to the borrower." Now, right here it should be stated that a "sound and sufficient" system of currency cannot, in the very nature of things, favor one class at the expense of another—the lender rather than the borrower, or vice versa. Our currency system, as well as every other national institution, should reflect the purpose expressed in our national constitution, "To establish justice" and give special privileges to none.

The plan proposed by the national banks "provides for gradually meeting the need for new currency by authorizing these banks to issue notes, to be known as guaranteed bank

notes, *without* depositing United States bonds as security. The new circulation cannot be issued at first, however, beyond the amount of one-fifth of the circulation secured by bonds, nor beyond ten per cent of the capital of the bank. This will prevent any tendency to unload bonds upon the market and to depress their price. It will indeed tend to increase the value of the present form of bond-secured currency by making it a necessary prerequisite for obtaining the new currency. If all the banks in the United States having circulation secured by bonds on November 30, 1900, should take advantage of such a provision, they would be able to issue about sixty-two million dollars in additional circulating notes." This means that the people would deliver to the banks sixty-two million dollars in cash for *nothing*, and the banks would lend it back to them at *interest*.

"It is proposed that this system may be gradually expanded at intervals of three years, until at the end of six years the new class of circulation not secured by bonds may equal four-fifths of the amount of bonds pledged to secure the existing form of circulation, but shall not exceed forty per cent of banking capital. Thus opportunity will be afforded during the first three years to test the principle of the new circulation upon a limited scale; but it may be expanded at the end of that time to

double the amount first allowed, and within three years to four times the amount. This increase is to remain, however, under the complete control of the Secretary of the Treasury and the Comptroller of the Currency." And who will control the Secretary of the Treasury and the Comptroller of the Currency? Manifestly, the bankers.

"They are not required to issue the guaranteed bank notes to any bank whose solvency and the soundness of whose judgment they distrust. The direct consent of the Secretary of the Treasury is required to broaden the system at the end of three years, and this consent may be refused if he is not satisfied with the workings of the system." Fancy subjecting the workings of a currency system to the will of men owing their positions to the influence of the bankers.

A recent writer on finance states the following: "There is now but little currency in the hands of the common people on which gold can be drawn from the banks—what we have is mostly bank notes and silver certificates. If coin, to say nothing of gold alone, were demanded for ordinary trade, it would at once cause suspension of specie payments by the banks; that is, they would fail. The report of the Comptroller of the Currency for September 5, 1900,* shows that 3,871 banks had an

*Note—Figures of 1900 inserted.

authorized capital stock of \$630,299,000, and that on the same date these banks reported their resources at \$5,048,138,000, of which their loans and discounts were \$2,686,759,000, and money of all kinds in bank, \$491,379,000, making a line of loans and discounts nearly six times their cash on hand. Their deposits were \$2,508,248,000, being over \$51,000,000 more than five times their cash on hand. Their surplus and net undivided profits were \$389,468,000, being about four-fifths of all their cash on hand. Had they distributed to stockholders their surplus and profits they would have had \$102,000,000 with which to pay \$2,508,000,000 of deposits *more* than twenty-five times their remaining cash." In other words they would have been able to pay one dollar in every twenty-five of their indebtedness. They have been distributing profits for a generation, and they now warn us against talking about their profits for fear we will break that "confidence" which is necessary to sustain business.

"Our banking system has this inherent defect, viz: If all creditors of these institutions were to demand payment at once they must necessarily fail. They are doing business on one part money and four parts confidence, and confidence games are becoming unpopular. The remedy proposed by the money changers

is to increase the bonded debt and give the banks exclusive power to issue paper money, backed by the Government."

The whole matter resolves itself into the question, Can we afford to repress all discussion of financial questions and imagine that "confidence" is all that is necessary to sustain business? A huge "confidence game" is an excellent enterprise for a few if the many are willing to be "taken in."

It may be answered that the banks are subject to examination by the Comptroller of the Currency, and that this compensates for their privilege, and further that the banks pay a tax upon the currency which they have issued.

In the first place, no one who is sufficiently acquainted with the workings of national banks will suppose that a bank examiner can distinguish between the good loans and the bad loans which a bank carries in its resources. How can he possibly pass accurate judgment on the names of men whose business and responsibility he knows nothing at all about? In how many cases does the general public suppose that he counts all the cash in a bank? At best, outside of actual cash, he can only deal with figures, but as to the nature and genuineness of that which makes the figures he is almost entirely ignorant. He may perform his part well, and yet the process as a whole will

amount to little more than a mere farce in showing the true condition of a bank.

In the second place, upon what idea of justice is it that the Government levies a tax upon national bank currency and that the internal revenue law levied a tax upon the capital of every banking institution? Is it not the most absurd idea imaginable for a government to tax its own money and to put a penalty upon the employment of capital? To tax capital is virtually to tax labor, because capital is wealth, and wealth is a product of labor. Therefore, when we tax the product we tax the producer of the product, and wages are diminished proportionately.

The foregoing analysis will explain how the bankers of the nation have been encroaching for thirty years, little by little, upon the rights of the people, and how a few are made rich at the expense of the many. They begin their villainy in a quiet, unsuspecting way. When they have a bill to lobby through they say it is for the "business interests" of the country. Of course it would not do to say that by the term "business interests" they mean their own interest. They are now getting so bold with their currency bills and subsidy bills that they do not hesitate to assault the goddess of the republic in broad daylight.

The business of a bank should be confined to receiving money on deposit and to loaning and discounting, and should have no connection whatever with the issuing of currency. While we are making our crusade against evil, why not use our common sense and stop this legalized robbery? A banker who by legal processes steals from another man, whether that man may know it or not, is just as much a thief as a burglar who breaks into your house and takes your property. We send the poor beggar to jail whose hunger and necessities may force him to take what does not belong to him, but pay honor and respect to the man who, caring nothing for the rights of others, seeks to subvert their interests to his private ends.

It is high time we were doing something in this matter. Labor will not stand forever to be insulted and robbed. Mankind will endure great hardships and submit to much injustice before his patience is exhausted, but when that point is reached a change must come.

CHAPTER V

PANICS—THEIR CAUSES AND CURE

Having considered the question of finance, we will now proceed to an examination of the question of panics.

Panics seem to come and go with the regularity of clock-work. They are as much natural phenomena and are subject as much to the laws of cause and effect as contraction, expansion, combustion or radiation. An effect requires a cause and a cause presupposes an effect, for until it produces an effect it cannot exist as a cause. Panics are effects; they are the natural expression of accumulated wrong. Now, if an effect is evil and unjust, then the cause itself, whatever it may be, must be evil and unjust. Right begets right and wrong begets wrong; and if we depart from this axiom our examination will avail us nothing. A scientific mind cannot believe that there is any part or department of nature outside the domain of law, and it is upon this basis that all analysis rests, and after we have found the principle or basis for our particular subject,

then the constructive or synthetic work begins. Nature knows no exceptions.

Panics, then, are due to human ignorance of and to the perversion of natural law. They are caused primarily by the appropriation of ground rent by the landlord, and the consequent speculation in land values; secondly, by the fact that public functions (including the issuing of currency, means of transportation, communication, etc.) are owned and operated by private individuals, resulting in speculation in stocks and bonds. Other attendant causes, such as tariff privileges, etc., contribute greatly to the production of these much-dreaded depressions; yet the two great causes enumerated above may be said to cover or contain in general terms all that can produce a panic.

First, with regard to the appropriation of ground rent. Ground rent is that value which attaches to land by reason of population. In New York, for instance, the value of land is very great because of the tremendous pressure of population around a given piece of territory. If half of the population of New York city were removed to Troy, Albany or some other city, the land values of the place to which it moved would go up by leaps and bounds, while the land values of New York city would fall to a third or a fourth of what they were before the removal. Again, let us take the case of

Washington and let us suppose the seat of government to be transferred to St. Louis or Chicago. What would happen in Chicago or St. Louis, and what would happen in Washington? Simply that the land values in St. Louis or Chicago, particularly in and around the business portions, would be greatly increased, while the value of land in Washington would sink to a mere fraction of its former value. The removal of the Capital would mean that thirty odd thousand people would be thrown out of employment, or else, retaining their employment and removing with the seat of government, the population would be diminished by thirty odd thousand employees and their families. The National Government also puts in circulation in Washington every month about \$2,000,000 cash, which is no small contribution toward the maintenance of business in the nation's Capital. But with the removal of the seat of government both the people and the money would disappear, the demand for land would diminish and in consequence its value would fall.

Now if the value of land is great where the number of people upon it is great, and small where the number of people upon it is small, then it is self-evident that population is the cause of the value in land for business and resident purposes. Ground rent, therefore, is

the creation, not of a person, but of the community. It is a *community* value. Now if by the natural law of property a thing or value belongs to him who created it, then rent should be taken by the community as its own legitimate creation. If allowed to be appropriated by private individuals, injustice is done at the very beginning.

There are but two ways in which public revenue can be raised—either by a tax on land or by a tax on labor. If the community creates the value of land, thereby making a tax on land possible, and does not take this value, there is only one way left by which revenue can be raised to support government, and that is by a tax upon labor. Labor is taxed whenever the *products* of labor are taxed. If we tax labor we hinder the production of wealth to that extent, and in putting a penalty upon the production of wealth, the chances for employment are diminished proportionately; production is diminished, labor is held in idleness, wages decline. Ground rent, on the contrary, increases each year, and must be paid out of a relatively *decreased* production. It is this enormous drain of rent every year, this continually giving of something for nothing which is the principal cause why the business world about every ten years must put on a cloak of mourning.

Again, in land speculation. Men speculate in land, hoping to get rich without working. The speculator knows very well that if people occupy the land and make improvements, it will increase in value, though he himself may be at the other end of the earth. Very little of the land is sold for cash. On the contrary, it is generally deeded to the buyer on condition of a mortgage. Boom after boom in real estate is started. Men are led on and on by the demon of speculation, fictitious values are traded in as though they were real values. The bubble grows larger and larger. Presently the day of settlement arrives and men are unable to pay off their mortgages. Foreclosures result; the creditor class pounces upon the debtor class; banks call in their loans; money is withdrawn from circulation; banks have runs made on them and topple over. The bubble bursts; values vanish into the air. Men who fancied that they would soon be rich, find themselves poor. Rent falls and business for a while is at a standstill.

Take, for illustration, the case of almost any land syndicate that is formed. It buys up large tracts of land, particularly in the suburbs of large cities or where there is likely to be a demand in the near future. The land is subdivided, marked off into building lots, and held at prices which such lots are expected to be

worth five, ten, fifteen or more years hence. The tax upon the unimproved land is so slight that the speculators can well afford to hold it, anticipating reimbursement and large profits out of the price which they hope to receive from the next buyer. But it must be remembered that they (the speculators) do not add one dollar's worth of value to the land themselves. Every one who buys the land and lives on it adds a value to it, making it easier for the speculator to charge a higher selling price and at the same time making it harder for the next comer to secure a home for himself. The land increases in value, not because it is owned by a speculator, but because the increase of population is continually making it more valuable. The value which *many* people create *one* man puts into his pocket. Then, too, the anticipated or speculative value must be paid for long before the *real* value is created, and since there is no other fund but legitimate business out of which this false value can be paid, then the legitimate business world is made to suffer just that much. The business world not only supports itself, but is made to support the speculative as well. It is this continually trying on our part to make one equal to two that deranges legitimate business and makes the good suffer with the bad. The increasing demand for more trust companies indicates very

clearly how the rent fund is increasing and how incomes are made upon the basis of values which do not yet exist, thereby diminishing the fund of wages.

It is idle to say that rent has not increased in the last five years. The apartment house fully testifies to the fact of increase. Building lots of twenty-foot front which up to five years ago produced from twenty-five to fifty dollars per month are now, with the two and three-story flat buildings producing double and treble those amounts. And this does not mean that rent in other localities has gone down, but on the contrary it has increased too by land being made artificially scarce. The large apartment house—the modern pyramid of slavery—with its pretended show of economy, is indubitable evidence of the extent to which land speculation has gone. And this pretended economy is sure sooner or later to have its reactionary effect. First, by diminishing the amount of land in use, it will in consequence lessen the volume of material production and thereby make the opportunities for self-employment scarcer and scarcer. Secondly, it will affect the morals of the nation by robbing it of that individual and social spirit which is the natural concomitant of the family and the home. It can be truly said that already in our large cities the home is disappearing.

Land we are accustomed to treat as an article of merchandise. Can it be so treated in equity? What is merchandise? A product of labor. Is land a product of labor? No. Then it cannot in equity be considered merchandise. Neither is land wealth; so that if we were to tax the value of land, we would not be taxing wealth. To solve this great difficulty we should destroy speculation in land by appropriating ground rent for public purposes, and then the first great cause in the production of panics would be removed.

The operation of public functions by private individuals is the second great cause of panics. We define as a public function any enterprise or business which requires the grant of government power to enable private individuals or corporations to carry it on. The operation of steam railways, street railways, telephone, telegraph, canal and pipe lines is a public function, and yet in very few instances are any of these great branches of industry owned and operated by the public at large. If our army, our navy and our postoffice are the business of the public, so are the railways, telephones, telegraph, etc. Whoever has control of the financial system and the means of transportation and communication, necessarily has control of the reins of government; and if, as at present, the people do not control these institutions, then they do

not control the government, and in not having this control the first principle of republican government is denied.

Let us take one of these subjects—the railroads—for illustration. We will thus get a better understanding of the matter, for the deductions derived from the facts governing one of these industries under the head of “public functions” will apply by similar reasoning to all.

The steam railways, according to the fifteenth annual report of the Interstate Commerce Commission, are bonded and capitalized at \$12,134,000,000. All, or nearly all, of the roads are mortgaged up to their full value, consequently the bonds represent the real or actual values of the roads, and it is upon this value alone that the railroads have the right to pay any moneys in return for investment. The stocks, we may say, are all water. They do not represent any actual capital invested, so that all dividends paid on them are robberies pure and simple.

Marion Todd, in her work on “Railways of Europe and America,” illustrates the situation by saying that, “suppose a man buys a farm for five thousand dollars and gives a mortgage for the purchasing price, and at the end of the year, after paying all expenses and conducting the farm, has enough left to pay interest on mort-

gage. The interest he pays is his income or profit, because he had no capital of his own invested. The railroads are in the same position. If they have borrowed all the money their roads are worth, then the interest paid on the bonds are the dividends on the capital invested, and if they pay a dividend on their stock it means a double income." This is the true situation. This is the way in which the American people have been most unmercifully plundered during the last thirty years.

The experience in Northern Pacific during the week of May 6, 1901, is but a precursor of what can happen and what will happen if we do not squeeze all of the water out of the railroad stocks, buy the railroads ourselves, and operate them, not upon a profit basis, but upon a self-paying basis. We give the railroad companies the franchises, which are worth hundreds of millions of dollars, and they give us in return the perpetual right to pay such tax as they choose to levy. When Northern Pacific jumped to one thousand dollars per share, we must not suppose that there was one thousand dollars of actual value or wealth created then and there. Allowing the stock to be legitimate and further allowing a reasonable rate of dividend, there was on the average nine hundred dollars of false value attached to each share. In other words, there was a nine-hundred-

dollar lie in each share. When men bought and sold the stock there was little or no exchange of real wealth, for it was impossible for the wealth to have been produced in so short a time. The whole process was gambling, and the people had to pay for the whole affair. But further, if this nine-hundred-dollar value was not inherent in the stock and yet had to be paid for, who paid it, and from what fund was it paid? It could not have been paid from the speculative world, because the value did not exist there. Speculative value and real value are opposed to each other in principle. When men have something, the value of which is one hundred dollars, and attempt to trade it on the basis of a thousand dollars, then there is nine hundred dollars of false value attached to it. But since this nine hundred dollars of false value must be paid with a corresponding real value, and since a real value cannot be drawn from an unreal value, then there is no other source or fund from which this nine hundred dollars can be paid but legitimate trade. Here is another case where legitimacy is forced to assume the responsibility for the crimes of illegitimacy. Honest production and trade are forced to bear the ills wrought by the exploits of the speculator and the caprice of the stock market; and finally the entire loss is saddled on the back of labor, for every dollar of the

entire transaction is taken out of wages, and the workingman, the producer, is made that much poorer.

It will take but a few more experiences like that of the Northern Pacific, mentioned above, to throw the business of the country into convulsions, and if present tendencies continue we may expect something of this kind before many months have passed.

There is but one solution of the railroad question and that is that the Government appraise the entire system at its true value (which is the value which it would cost to reproduce it) purchase the system by an issue of bonds redeemable at the pleasure of the Government, provide a sinking fund, and each year retire a portion of the amount of bonds issued. In this way we will avert the calamities that stare us in the face, and which will surely come if we foolishly persist in our error.

CHAPTER VI

THE TRUE THEORY OF CURRENCY

We have seen that our present financial system is a system based upon debts and not upon credit. To perpetuate its existence, therefore, the great bulk of the people must be kept in constant debt to the few. This evil, though apparently small in the beginning, increases as population and the demand for more currency increase. It will be further seen by the history of banking laws and facts as they exist to-day, that all systems of currency existing in the world to-day are founded upon a metallic basis. In this chapter we shall endeavor to prove, first, that all such systems are barbarous and embody no scientific idea; second, that the currency question can never be fixed until the taxation question is settled; third, we shall offer a rational and equitable system to replace the barbarous and worn-out idea of currency based upon metal.

In the first place, gold and silver are commodities the same as any other product of labor, and, being such, must necessarily have

a fluctuating value. Now, how can we have a fixed standard of values and a just system of exchange if the thing by which we measure has a fluctuating value itself? We know that a yard is a yard and a foot is a foot, no matter whether they be pieces of string or sticks of wood. It is a fixed quantity. Can we say as much for the dollar? If so, then why such fluctuation in prices and interest, and why do panics and financial depressions come with such frequency?

A legislature deceives itself when it thinks that it can fix values by decreeing that a dollar shall consist of so many grains of gold or silver. Values are determined by competition, by supply and demand, and not by the will of any legislature.

If, as has been the case, the production of gold outruns the proportionate increase in population and the demand for its use, then the value of the yellow metal falls, and if the reverse is the case its value rises. The same is true of silver—in fact, of any product of labor. All paper money, we say, is based upon metallic money, or, to express it conversely, every paper dollar is supposed to represent a metallic dollar. Now, let us take every paper dollar in the nation and place them alongside of every metallic dollar. If our present theory (the metallic) be correct, then there should be

on the average dollar for dollar, paper and metal. If there is more paper than metal, then there is something wrong. If this test were tried it would be found that out of the entire volume of currency about four-fifths dollars would be paper and one-fifth would be metal. And since, according to our theory of finance, gold only is the measure of values, then there is only one honest dollar in every five. The other four are false dollars. This four-fifths constitutes the bulk of bank currency, and through it the bankers naturally hold the controlling interest in public finance. According to the theory generally held, therefore, the system is indefensible, in that eighty per cent of our currency is false or dishonest money. Mind you, these are deductions according to the present theory.

In considering the financial question we must not only regard it as a separate part of society, but must also bear in mind and view it as an inseparable part of the great industrial system itself. The various branches of industry are in their development dependent upon one another. The popular idea that gold determines values becomes a mere superstition when an attempt is made to reduce it to its final elements. What is generally believed to be the system of currency is merely nominally so, and in fact almost obsolete, for were we to depend

upon gold and silver to effect our exchanges to-day, the industrial world would die of strangulation. The falsity of the idea that gold determines values may be illustrated by the following:

The purchasing power of gold in America is double and treble its purchasing power in the Philippines. If the metallic theory be correct, then ten gold dollars in the Philippines would or should purchase as much as ten gold dollars in America. But, on the contrary, it will purchase one-half or one-third as much. Why this difference? Simply because human life itself is the real measurer of all values, and this basic principle, together with the supply of and demand for labor, and the facility with which the products of labor can be exchanged, is the real cause for the difference in the value of gold in the two countries. The idea of the intrinsic value or the magic power of gold disappears when we refer the question to human necessity and human desire. Comparatively few of the articles which an American or European needs in the Philippines are made there, but on the contrary are made in Europe and America. If an American or European could go to the Philippine Islands and live as the Filipinos live, his cost of living would be no greater than theirs. But this would be neither desirable nor natural. He wants those things to which he has been

accustomed in his own country and which represent his own civilization. The standard of living in the two countries is essentially different. If we wish to transfer the American standard of living to the Philippine Islands we would immediately make the cost of living there as much above the Philippine cost of living as the American civilization is above the Philippine civilization. The price of commodities sent to the Philippines is doubled and trebled when the cost of transfer and of tariff is added to the original cost of manufacture in their native countries. The price of labor must increase in order to make the commodities purchasable.

The utility of our present monetary system is not due to the fact that it has a gold or silver basis, but, on the contrary, it is due to our improved methods of bookkeeping, accounting, means of transfer and communication. Bank checks, postal notes, drafts, etc., perform the function of money to-day just as really as gold or silver ever did, and with far greater efficiency. Let it be always remembered by legislators that the real and only function of money is to effect an exchange, not of itself, but of commodities of labor. One of the crying needs of to-day is "more currency, a more expansive currency." Metallic money has failed and always will fail to meet the demands

of an ever-increasing population and of a civilization which is becoming more complex and more specialized. What a totally inadequate and barbarous system of currency fails to do at the present time must be done and is done by the agencies to which we have just referred. Remember always that metallic currency performs but a small part of the function which it is generally believed to perform. A very small percentage of the debts of the world are paid in actual coin. We can thus further see that by the means above referred to, that which formerly took weeks and months to do is now done in a very few hours. Science and invention have entered into the march of civilization, and in a great measure have neutralized the shortcomings and backwardness of currency based upon metal.

The backwardness which is inherent in our present monetary system makes itself apparent by the fact that whoever has control of the medium of exchange, that is, whoever can contract or expand its volume, must necessarily have a powerful influence in the increase or depression of both wages and price. This is especially true of a highly-organized state of society, because there very little is exchanged by barter, but on the contrary through a monetary or currency medium. Now since exchange is part and parcel of production, any interfer-

ence with the exchangeable medium that will limit or prevent exchanges will react on the channels of production by limiting production, and in consequence depress wages.

How does Nature determine wages? Simply by the supply of and demand for human labor. How, then, does she determine the value of material things? In the same general way—by the abundance or scarcity of the product, the ability or opportunity of labor to produce that product, and by the demand for its use. If diamonds were as plentiful as cobblestones their value would be a mere nothing, but since they are greatly desired, are very scarce, and human life has to undergo great risks in order to get them, their value is very great.

When one man exchanges something with his neighbor, he exchanges something vastly more than that material thing; for he exchanges his labor, his intelligence, his very life's energy expressed in matter.

Now in regard to the second point, that natural taxation must be the basis for natural currency. Taxation is the first economic principle of organized government. Society existing in a crude, semi-barbarous condition has no need of a regular collection and disbursement of revenue. But with the advance of civilization society becomes organized and govern-

ment becomes a fact, a necessity. The institution must be supported, and therefore taxes levied. Taxation, then, is to government what wages are to the individual. It is the food upon which organized society subsists. It is wholesome and necessary, and if correctly administered is the sound basis for a just government. But if this primary function is allowed to fall into private hands, landlords, corporations and syndicates, then the major premise of government is destroyed, and society becomes a prey to a class organized for its own private benefit. When we give away a franchise we give away with it the sovereign right of taxation, and immediately the functions of government are deranged. What makes the street railways of New York, Chicago, Philadelphia, or of any large city so valuable? Is it because the roads represent so much actual capital invested in them? Not at all. In almost every case you will find that the actual capital invested is only a fraction of the capital as represented on paper. By far the greater portion of the value is in the franchise, and the franchise is the taxing privilege that has been given to the corporation. But one may ask, what has all this to do with currency? It has a great deal to do with it. First, to show how government has been thrown out of gear by giving away its primary function of taxation;

second, to show that no matter what system of currency we may have, it will never serve as a definite regulator of values until society assumes the exclusive right to tax its members.

Returning for a moment to the subject of our national bank currency, we will easily see that that system itself is based upon taxation, for the government bond is an instrument of taxation. The great wrong, however, consists in the creation of the government bond, for by that very act the taxing power is at once transferred to private individuals, the bondholders. Government in this relation becomes a mere collecting agent for a few wealthy people, who grow richer and richer as population increases, society is arrayed into a debtor and a creditor class, and posterity is sold to the highest bidder.

Having disposed of the first two points we will pass on to the third, which is a consideration of a rational system of currency. We will first assume that government alone has the exclusive right to tax, which assumption has been fully proved by the foregoing deduction. We will next lay down the principle that scientific money must represent *labor performed*, and since labor is the real measurer of values, any currency system which does not conform to this law is a false and vicious system. A *promise to pay* does *not* represent labor performed, and therefore is not honest money.

When the government issues its money the *very act of issuing* it makes it money, and the language printed upon it should be of such a nature as to indicate clearly that it *is* money, not that it is a *promise* to *pay* money. To say that a promise to pay is money, is contradictory; for if it is money, why does it say that it is a promise to *pay* money? Clearly, then, a promise to pay is false money. Scientific money should be a promise to *receive* and *not* a promise to pay. Money, we may say for a practical definition, is a medium of exchange. But this does not satisfy—it is only half a definition. It does not say which is true and which is false money. It is quite true that money is a mere medium of exchange, and has no more relationship to real wealth than a dinner ticket has to your dinner. But in giving a scientific definition of money we must say what constitutes a just medium of exchange, and to do this we must say that money, in order to be a medium of exchange, must be a representative of wealth *produced*. And since all wealth is produced by labor, scientific money must be a certificate of labor *performed*. A promise to pay does not represent labor performed, and by scientific analysis is not honest money. The quantitative theory of money spoken of by a great many is but half the truth, because if we deal with quantity alone and do

not say what the quantity shall be, how it shall be regulated, and of what it shall be composed, namely, the *quality*, then we have determined nothing. If one were to ask what is the limit of expenditures for the National Government, some one else would probably say, "the needs of the Government economically administered." But who is to determine the meaning and extent of the term "economically administered?" Some may think that half a billion is quite sufficient; others may think a billion is necessary, others two billions. So that these terms mean nothing. They are not scientific because they do not *determine* anything. In other words, it is not a fixed mathematical quantity. We must, however, have a fixed known quantity, for until then all reasoning is useless and monetary science is impossible.

It may strike the reader as curious to say that as yet we have no monetary science. And why? Simply because we have had no scientific terms, no fixed quantity upon which to reason, and these are the first requisites for the construction of a science. When we say that the Government appropriates so many millions or billions of dollars we infer that there must be at least that much money in circulation with which to meet the appropriations. Now between levying taxes and collecting taxes there is an exact ratio or relationship, which is

that for every dollar of tax levied there should be its equivalent in circulation. If there is more money than taxes then the excess is spurious, and if the excess is very great then the value of the currency will depreciate proportionately and the loss must be met by an increase in rent, an increase in prices of commodities, or a decrease in wages.

Taxes, we have said, are to government what wages are to the individual, and since an individual cannot justly expend more than the sum total of his wages, then by analogy government cannot justly appropriate nor expend any more than the sum total of its just taxing power. Now, since the sum total of the taxes and the sum total of currency outstanding with which to pay them are at a balance, namely, equal, then taxation and finance are inseparably related, and are, as it were, the reciprocals of each other.

Let us, therefore, reduce the taxes upon products of labor each year five per cent and add the equivalent to the tax upon land values until it finally equals the annual rental value of the land, and let a paper currency be issued by the government with full legal-tender qualities (not a promise to pay) based upon these taxes, and retire all other forms of currency as fast as the new currency is issued. This would be making ground rent the basis of currency,

which of all forms of security is the most permanent and most valuable. As population increased the rent would correspondingly increase, and in consequence the volume of currency would be increased to meet the demands of an increased population. The notes would be receivable for all debts whatsoever without any exception, but the volume of currency outstanding at all times would be equal to the sum total of ground rent for that year, a new estimate being made each year. This would give us a currency based upon the entire land value of the nation; it would be self-regulative; it would be free from all interference from private sources, and would virtually be placing a government bond into the hands of every person. But the difference would be that instead of a few being creditors and the many being debtors, all would be creditors and debtors alike. Its security would never fail, for that is based on the governmental taxing power on the land, and the value of land depends upon and bears a mathematical relationship to population. We need not bother ourselves about gold or silver security, for how can the gold and silver locked up in the Treasury be called money? Money, we have said, is a *medium of exchange*, and how can the millions that are locked in treasury vaults be a medium of exchange? They do not perform

their function as money, and failing to do this they cease to be money. The gold and silver in the Treasury might as well be in the bottom of the sea for all the use that it is in satisfying human wants and facilitating exchange. It has been readily seen that our present monetary system is unjust at the very premise—a gigantic trick, exploited in the interests of a few—and will, if carried to its logical conclusion, involve the nation in bankruptcy.

CHAPTER VII

WAGES AND PRICE

Although the terms "wages" and "price" are very closely related, and we might say almost analogous, we will, for popular convenience and clearness, keep them separate.

In this chapter we will, as nearly as possible, restrict ourselves to the use of the terms in their relative and practical sense, rather than in their absolute and philosophic sense.

In a healthy condition of society price is determined in the same manner as values—by a free, unrestricted competition; and wages are determined in the same way by the competition of labor. Now it may be answered that such a condition exists to-day. It does to a very limited extent; but to say that competition to-day determines wages and price is merely stating only about one-fourth of the truth—the other three-fourths being summed up in the word "monopoly." It is monopoly which deprives labor of fully three-fourths of its earnings. Monopoly means, in effect, a *depressed margin of production*. Now the *margin of production*

is that portion of the earth's surface which is either in use or under cultivation. Supposing, for instance, that we represent the earth,—the limit of cultivation—by the Figure 1, and the portion of it that is either in use or under cultivation as 1-100, then the margin of production is 1-100. The other 99-100 is idle land. The proportion will remain constant if the sum total of the earth's population does not change, but if the population increases to any extent then the margin of production falls, because there is a larger number among whom the product is to be divided. If land is withheld from use (and we include city and suburban land) it means idle men, and how can idle men produce wealth? The practice of the landlords in all ages has been to keep a large part of the population in idleness and thus depress the wages of all. The power of the land-owning class thus to exact tribute from every producer is responsible for that strange spectacle that has puzzled the wise men in all ages—poverty and hard times going hand in hand with material progress.

The great corporations throughout the country could not obtain labor at the small price they now do were it not for the fact that our taxing system prevents the laborer from employing himself and compels him to accept the terms which the corporations are gracious

enough to offer. This narrowing of the margin of production, this limiting of the opportunities for self-employment, depresses wages to a mere living basis, raises rent, and increases year by year that portion which the monopolistic or privileged class now takes from wages and appropriates under the name of dividends and interest.

While treating of wages and price we should also notice that there is a great deal of popular superstition in regard to wages and *profits*.

Let it be clearly understood at the outset that what is commonly termed "profit" should properly be termed "*wages*," and that as a distinct and separate term "profit" does not exist in economic science. This term has become so common in our business relations that any criticism of its use may surprise the average reader. In science we must discard all terms which cannot be given a positive definition. The essential requirement of a definition is that it shall have limitation, distinctiveness. In Political Economy terms having a metaphysical origin must be discarded as too vague and indefinite a medium for the presentation of scientific ideas, and this is especially true when such terms are made the corner-stone upon which a rational and positive system is to be constructed. Such a term is "profit."

What we really mean when we speak of a certain occupation being more profitable than another is merely that such occupation yields larger wages—larger results for the labor involved. Since nothing can be obtained without some labor being performed by somebody, and the result of labor is wages, what use is there for such a term as profit as something apart from wages. In any illustration used it must always be borne in mind that the labor must be *service* rendered. Gambling and robbery form no part in the economy of nature when mankind is considered. In dealings of this kind what one man receives for nothing another man must give for nothing. For example, a man speculating on horse races or on the stock exchange may be the richer by a thousand dollars at the end of the day. But this is not wages, for although some labor may have been involved, such labor was in no way connected with service.

If a man goes into the country, picks blackberries, brings them into the city and sells them, the price received is his wages because it is the result of his labor. A merchant in business may at the end of a year have five thousand dollars more than when he started. But this, under normal conditions, is wages and interest. Wages, because it is the result of an intelligent and efficient management; and interest, because

it is the result of capital in the process of exchange. No other factor enters into the proposition.

So much for profit.

The numerous magazines teem with articles defending our present industrial system. They are written mostly by those whom a change of system to one based on justice would deprive of lucrative employment. The purpose of many of the writers seems to be to administer a sort of hypnotic treatment to the working classes by inducing them to believe that their wages have been increased, their rents lowered, and their cost of living diminished—in short, that they are enjoying a period of prosperity unparalleled in the history of the world. For instance, one writer says that “Forty years ago the time of human labor to produce one bushel of corn was four hours and thirty-four minutes; now it is forty-one minutes. The cost of human labor to produce this bushel has declined from thirty-five and three-fourths cents to ten and one-half cents. It is one of the marvels of the age that to-day the amount of human labor required to produce a bushel of wheat from beginning to end is, on the average, only ten minutes, whereas in 1850, the time was three hours. The cost of the human labor required to produce this bushel of wheat has declined from seventeen and three-fourths cents to three

and one-third cents. Forty years ago, when men mowed the grass with scythes, spread it and turned it over for drying with pitchforks, raked it into windrows with a hand-rake, cocked it with a pitchfork, and baled it with a hand-press, the time of human labor required per ton of hay was thirty-five and one-half hours; now with horse-mowers, horse-rakes, and horse-presses, the human labor required per ton is eleven hours and thirty-five minutes; the labor cost has fallen from three dollars and six cents to one dollar and twenty-nine cents per ton."

Now let us recapitulate a moment for examination. If, as the writer states, a certain amount of goods can be produced to-day in one-seventh of the time required to produce it forty years ago, it is self-evident that the power or effectiveness of a man's labor has been multiplied seven times. And it is further evident that if he can produce seven times the amount of wealth in the same space of time that he did forty years ago, his wages should be seven times as great as they were then, minus the cost and maintenance of machinery. Are they? If it costs two-sevenths as much labor to produce a bushel of wheat now as it did forty years ago, then most of the difference should have gone into the fund of wages. Has it? If it requires only one-eighteenth the time to produce a bushel that it did fifty years ago, then farm

labor is eighteen times as effective as it was then. Has the wages of the laborer increased in any similar proportion? Even admitting the cost and care of machinery, the phenomenon is not explained, because under free and normal conditions the cost of maintenance is so small compared with the power generated, that wages should be multiplied rather than decreased. And then, too, the very cost and care of machinery would rather tend to increase wages than decrease them, because it furnishes an avenue for employment.

"It is one of the marvels of the age" that statisticians can go to great pains in collecting information, can pile up figures, and yet, after all, overlook the whole pith and marrow of the question. Since they call this prosperity, why do they not tell where the benefit of this increased power of production has gone. We know by the present condition of the farm laborer that *he* does not receive it. The question then is, "Where does it go?" and the answer is, "*To the rent-roll of the landlord.*"

All the great inventions and improvements of the past century have lessened but little the burden of the laborer, and, on the other hand, the disparity between his condition and that of the land monopolist is much more marked. If one would see where the profits of farming go, let him study the dividends on watered stock

of our transportation systems—the embodiments all of special privilege. The writer of the article, in speaking of the results of machinery, further says: “Now we know why so many men can be spared to go from the farm to the factory without interfering with national prosperity; here we discover how it is that the cities of America can multiply by ten in the same half century that the farming community is multiplying by two, and that without any false proportions or insecure foundations for the great industrial structure to stand upon.”

In the first place it is the grossest error to suppose that men migrate to the cities because they can be *spared* from the farms. The actual reason for their migration is that by our system of taxation and land speculation a large and increasing percentage of our farms have become mortgaged or else the occupiers have become mere tenants. The farmer must also sell at a natural price and buy at an average tariff rate of sixty per cent, so that in every transaction he is sixty per cent the loser. These processes, involving the subtraction of rent from the farmer's yearly production, have crippled him to such an extent that he cannot afford to pay the wages which an increased power of production, resulting from the great inventions of the age, would give him under a natural and just

system of taxation. Men naturally go where they can get the best wages and the most comforts and happiness out of life. Now if the low wages and unwholesome conditions of the crowded factory and city are an improvement upon farm life, then the condition of the farm laborer must certainly be a deplorable one. The reason why the cities of America have multiplied by ten in the same time that farming communities have multiplied by two is, because land speculation (the withholding of land from use) and unjust taxation have forced men to look for employment elsewhere. Thus the cities have had a forced and unnatural growth while farming districts have remained almost in an undeveloped state. Men failing to find employment for which they are suited in the crowded cities attempt to live by their wits. All sorts of methods are resorted to, and the result is the criminal and the tramp. Society then tries to protect itself against itself (for these are a part of society), with the inevitable result of further complications of social disorder.

One of our leading metropolitan newspapers quotes Mr. Henry C. Payne, then vice-chairman of the Republican National Committee, as saying, on his return from Europe in 1901, that "In Austria I asked a man why Americans, paying higher wages, could send their goods to Europe and undersell the Europeans on the

products made in their own lands." The question was prompted by seeing a shoe store in Vienna where they sold only American-made shoes. "In answer, he said that when in the oil business he sent men to see how they produced oil in the States, and found that five men in America could, with improved machinery, accomplish what thirty did in Europe. That, he thought, was the secret."

The point, and it is the vital point, although the average reader will probably overlook it, is that if one man in America can produce as much as six men in Europe, then that man's wages should, on the average, be six times as much, but the actual fact is that the wages of the American laborer are relatively less than those of the European, for if he performs six times the amount of labor and receives four times as much pay, then it is clear that he receives only two-thirds as much for his day's work as his European friend.

Numerous causes combine to produce this indefensible condition, the most important of which is the fact that monopoly in some form or other takes the result of nearly all the improvements, leaving the laborer no better off than before. Monopoly, whatever its form, must somewhere have a resting place upon the earth's surface, and here it is the duty of government to require it to pay the full value of

the special privilege it enjoys. Franchises are special privileges.

Now let us devote a few minutes to the family market and get an illustration of this great and unparalleled "prosperity" which has been flooding the land for the last seven years. The prices of the common articles of food have increased 25, 50, and in some cases 100 per cent over the prices of several years ago. Peas which were 75 cents per bushel in August, 1900, are this year \$3.00. String beans have increased in price 50 per cent; cabbage per hundred have increased 100 per cent; carrots 33 per cent; tomatoes 20 per cent; apples per barrel 50 per cent; oranges per box 80 per cent; bananas per bunch showed an increase in price in 1901 of three hundred and sixteen per cent, despite the fact that we now own a large portion of the West India Islands. The price of potatoes has doubled in the past three years.*

It would be a very dismal and gloomy picture indeed were we to imagine that this "prosperity" were always to be the lot of the poor. Indeed, if present tendencies continue, "prosperity" may develop into a famine. Almost everyone is working fully as hard and for as long hours as he ever worked before "prosperity" came, but very few are able to save any

*These are the figures showing increase in price from the summer of 1900 to the summer of 1901.

of their earnings, because of the great increase in the cost of living. The increase in the cost of clothing and building material is much the same as the increase in the cost of food. Passenger and freight rates have not decreased in the least.

Certain newspapers attempt to explain this increase in the cost of living by attributing it to purely local causes. But they do not take into account those great general causes which are constantly at work in the production and distribution of wealth, and which govern the condition of the nation at large. If the price of labor remains the same, but the cost of living increases, by what process of reasoning can one make "prosperity" out of it? In order to improve the condition of the people the increase in wages must be greater than the increase in cost of commodities, so that there be a balance over and above the cost of living. Has this change taken place?

The millions of gold now lying in the National Treasury, and which are so often spoken of as being indubitable evidence of prosperity, merely represent the extent to which labor has been plundered by the enactment of internal revenue and tariff laws. It is not the foreigner, but the American workman, who has paid every dollar of this immense sum; and yet politicians are wont to boast of it as being evidence of

national prosperity. The boom in stocks, the opportunities for employment in the military service, the stimulation given to certain lines of industry by the Spanish-American war are all pointed to as evidences of prosperity. How absurd is the inference of politicians that speculation, warfare, and unjust taxation can generate prosperity. If prosperity is everywhere, why cannot one pick up the daily paper without seeing notices of mills closing down, and men quitting work by the thousands, demanding more pay and shorter hours? Would not contentment, generally speaking, be the natural result of a healthy prosperity? Again, if we are enjoying such great prosperity, why did Congress maintain an Industrial Commission? The very creation of this commission gives the lie to the statement that all is well, and is an admission on the part of legislators that alarming symptoms of social disease have for some time been developing. We do not contend that there has been no greater production of wealth than heretofore, but we do contend that this industrial activity is but temporary, and further that those who created the wealth have not received the benefit of it. The bulk of prosperity is all going one way—into the hands of the privileged and landed classes, and has put the political parties of the nation more and more under their domination and control. The concentra-

tion of wealth into the hands of a few can never be a healthful sign in the history of any nation.

The only possible way in which the wages of the vast army of workers can be permanently increased and a general circulation of wealth maintained is by raising the margin of production. Now the only way to raise the margin of production is to remove all taxes on labor, or the products of labor, and to substitute in place thereof a uniform tax based upon the annual rental value of the land, exempting all improvements.

CHAPTER VIII

THE THEORY OF INTEREST

The question of interest is one which has puzzled the mind of every thinker in political and economic science, from the time of Adam Smith to the present day. A great deal has been written on the subject, but as yet no scientific definition has been formulated, nor has its nature and place in the science of political economy been satisfactorily explained. There has been no end of writers, mostly socialistic enthusiasts, who have been eager to state that interest is robbery, but whose writings in no instance have proved or justified their statement. The reason, however, for such an assumption on their part I take to be that they have confused *interest* with *usury*. The system which they have attempted to construct is wholly empirical in its nature and does not accord with our fundamental ideas of justice, nor can its fairness be demonstrated by abstract reasoning. The fallacy of these writers consists first in assuming that usury and interest are one and the same thing; second, that because social condi-

tions are largely unjust, interest, which is associated with these conditions, must be unjust also. Now truth may be, and in many cases is, associated with error, but that does not say that truth is error. It is a common fact of experience that so great is the adhesive power of truth that a little can hold together a great amount of error. Because our present conditions are unjust it does not follow that interest is unjust.

Let us for a moment examine into the nature of the terms or ideas and their association which underlie political economy. Land, labor, capital, are the terms of causality (causal). Wages, rent, and interest are the terms resultant. Labor upon land produces wealth; population (numbers) upon land produces rent. Wealth in exchange produces interest. These terms or ideas form the basis for the entire subject of political economy, and any question affecting the production and distribution of wealth can be resolved into one of these terms.

What Ricardo and George have done for wages and rent yet remains to be done for interest. The ground which I have chosen to defend in opposition to the socialistic theory is, that in a just order of society usury will not exist, but interest will always exist; and further that it has a necessary and definite place in the social organization. We must first understand what we mean by usury and what by interest, for between the two there is a vast difference.

Usury is the price or extent to which one man can appropriate another man's labor by reason of the margin of production being constantly pressed down; and employment in consequence being made scarce, the second man is of necessity forced to borrow from the first. The generator of usury is injustice; therefore, to abolish injustice is to abolish usury. Some will say that the same will hold good in regard to interest. Let us see.

Interest has been defined as the price for the use of capital. But since this is a very broad generalization and does not show the origin and nature of interest a more specific statement is necessary. *Interest is the cost of transfer or price for delivering a present product for a future promised product.* The whole element involved is *time*. Interest is to time what freight is to distance, and, to capital what wages is to labor. Capital of itself can create no increment. It is only as an instrument in the hands of labor that it has a value. Capital, then, is wealth in exchange, and since interest is the natural offspring of capital, then interest arises wholly in exchange and not in the production of raw material.

When we admit that it is just for labor to receive wages we must of necessity admit that it is just for capital to receive interest, for since capital is wealth in exchange and wealth is the

result of labor, then borrowed wealth is borrowed labor. Therefore, when we borrow wealth we hire labor, and the price or interest upon it is determined by the supply of available capital and the demand for the same. It has been established by modern writers in sociological science that land, labor, and capital are the three great factors in all production. Now if each one is an essential factor or antecedent, then each one must have an essential and separate consequent, otherwise the economic equation would be out of balance.

The primary or major factor in (all) production is labor, but since exchange is part and parcel of production, then interest which arises wholly in exchange must be a natural and legitimate *result* of production. Interest could not exist with a Robinson Crusoe on an island, for the entire result of his labor would be wages. But if a number of people came to live upon the island, capital would soon be created, exchanges would begin, and immediately interest would arise. The price or cost of transferring the future into the present is regulated by the law of supply and demand, namely, the value to the borrower of a *future* product made use of *to-day*.

The contention that interest is high where wages are high and low where wages are low, will not stand the test of reason. It is easily

possible for interest to be high where wages are high, and low where wages are low, and generally this is the case, but to state it as a general proposition will not do, for interest may be high where wages are low and low where wages are high. For instance, in a new country wages will be high because the chances for self-employment are more numerous and the laborer will retain all or nearly all of his product. Interest, on the contrary, may be low because the free conditions for self-employment may occasion a diminution in the demand for capital.

In order for interest to be very high the demand for capital must be great and the supply of available capital must be correspondingly small. The two causes must operate simultaneously in order to produce the phenomenon of high interest.

In new countries again there is generally a great demand for an exchangeable medium, but an exchangeable medium is not capital. In certain localities of new countries interest may be high, because there is a demand for and a scarcity of capital for the development of certain enterprises. In course of time, however, interest will fall, because by the increase in land values and by the withholding of land from use, capital is driven out and the benefit which the capitalist could confer upon the country is prevented by the land owner (monopolist). The capital

which does not remain employed is robbed of its earning power because it cannot be employed except by permission of the landlord. The reason why the rate of interest is high in the present state of society is because of the poor distribution of wealth. Wealth being concentrated into the hands of a few makes a condition of few lenders and many borrowers; and as the chances for self-employment (margin of production) are steadily diminished, then by the very law of supply and demand interest will continue to rise higher and higher along with rent. In fact, it will assume the form of usury.

Some may say that the rate of interest to-day is low, but when we take into account the billions of false capital and fictitious stock the rate of interest is very high. For instance, a railroad corporation may be capitalized at twenty millions of dollars and pay a fair rate of interest, say six or eight per cent on that amount of capital. But when the stock is watered twenty millions and the rate of dividend paid remains nominally the same, the rate of interest has been actually doubled, because eight per cent on forty millions of capital which is half water is really sixteen per cent on the actual capital employed. In an oil company of which the writer has knowledge the amount of cash paid in by its stockholders is only one-tenth of the capital as represented on paper. If the company pays

a dividend of five per cent on the five hundred thousand capital it will in fact be paying fifty per cent on the amount of money actually invested. It is in this way that the corporations all over this country pretend to defend themselves in attempting to conceal the truth and by saying that the rate of dividend paid by them is small. The fact is, that if we were to squeeze out the water and compel every corporation to stand upon a dollar for dollar basis, we would find the rate of interest to be very high.

Monopoly and special privilege are the most powerful factors (agents) in the production of exorbitant interest and low wages. It is perfectly right and proper for a tenant to pay interest for the use of a house which is not his own, and this would be sufficient. But our laws do not stop here. They further allow the owner of the house to collect ground rent which he did not create, and by so doing the right of property is violated. A tenant speaks of paying so much rent, when, as a matter of fact, he pays both rent and interest—rent for the occupancy of the land and interest for the occupancy of the house, which is capital. Capital is essentially private property, and as such its owners are entitled to the interest which accrues from its use. Rent, on the contrary, is associated entirely with land. It is a public creation, and as such should be taken for the

benefit of all. When land owners are permitted to appropriate rent as though it were private property, the general fund of production is diminished just that much, wages decline, labor is robbed of its just share of production and loses its efficiency. Capital lies dormant and becomes unproductive; in fact, the whole machinery of industry is thrown out of gear. In most corporations the interest paid to stockholders and bondholders is far in excess of the total of wages paid to the employees. The reason for this is that the corporation takes advantage of an artificially overstocked labor market, forces its employees to work for bare living wages, and appropriates for the stockholders the difference between what they do actually pay their employees and what they would have to pay them under just conditions.

We will state the same fact in another way by saying that the enormous dividends paid by corporations to stockholders are not properly the earnings of capital. On the contrary, they are almost entirely the result of labor, and as such labor should receive them in wages. But by the corporation having the power to force one man to do two men's work it can appropriate the earnings of one man and pay it to capital as *interest*. By making one man do two men's work they are enabled in each and every similar case to appropriate the earnings of one

man. It is a case of the wages of the employees being paid to capital under the assumed name of *interest*.

This is the evil of special privilege, and the whole process is maintained through ignorance and bad laws. Under free conditions the productive factors would adjust themselves automatically, for then a man would not be compelled to sell his labor for less than it was worth. Under free conditions the productive factors would each receive their just return, but under conditions of to-day rent robs interest, interest robs wages, and the landlord robs both.

CHAPTER IX

THE RIGHTS OF MAN

The collective natural rights of society may be likened to a mathematical quantity. If we give privileges to some which we deny to others we at the same time diminish proportionately the rights of the others. There is nothing so incongruous in politics as a kingly republic, for kingship and democracy cannot co-exist any more than light and darkness. The forms and methods of government that were popular and efficient three hundred years ago will not and cannot satisfy us to-day. As man changes, so must his political organization change with him. As the brute in him becomes tamed and his higher qualities developed, so must government by force give place to government by intelligence and morality. If it be true that a few are born to govern, if it be true that one man's rights are or can be greater than those of another, then how much greater are they? By what standard can we determine? The great warfare that is going on to-day is the clash of modern ideas with the medieval ideas of kingly

and arbitrary power. There can be no question of the final victory of science over superstition, of truth over error, of democracy over aristocracy—but yet how slow the dragon of tyranny is in dying. The progress which scientific ideas have made during the last fifty years is disclosing the superstition of all forms of government based upon tradition and privilege. The spectacle presented in Europe to-day is but the closing of an epoch in that great historical drama, where royalty and privilege have unceasingly assailed the rights of mankind. The millions of English subjects groaning under the debt of several billions, the result of unnecessary and unjust wars; the plodding subject of the Fatherland overburdened with the support of an aristocracy, and of a military organization large enough for the whole of Europe; the peasants of Spain and Russia browbeaten and ground to the earth by a cruel and rapacious aristocracy.

In our own country the trust magnate, the railway king and the great manipulator of finance working through the party boss are as absolute in power as almost any monarch in Europe. Half a dozen men can at any time, if they choose to do so, stop the wheels of industry and so cause a panic.

One might say that the people control the railroads of the United States. As a matter of fact a commission, known as the Inter-State

Commerce Commission, was created sixteen years ago, when it was feared that the railroads were becoming stronger than the government, to compel uniformity of freight rates and to prevent pooling. The courts, however, have so limited the powers of this Commission, and its members, with a few exceptions, have been so cowardly, that the Inter-State Commerce Commission has come to be a synonym for impotency. In Congress the hired advocates of injustice are ever ready to barter their conscience and the people's rights in order to secure the patronage of some rich and powerful monopoly. It is this betrayal of trust, this cringing hypocrisy which gives to politics the stench of corruption and decay. How can politics be pure when those who should be the representatives of the people are actually the agents of their oppressors—the railroads, the corporations, and the trusts?

When a representative of the people has the courage to rise in a legislature to speak against some pernicious railroad or other corporation bill, he is invariably a marked man, and is almost sure of defeat at the next election. These conditions must certainly have causes or their existence would be an impossibility, and they themselves in turn becoming causes will in the near future produce effects anything but wholesome to the welfare of our republic, for it is

through ignorance and failure to assign proper causes for social phenomena that so many advocate and occasionally resort to measures of lawlessness and revenge. And then again the very conditions in which many are forced to live engender and stimulate in them the belief that all government is wrong.

Justice is the beginning and the end of all social order and improvement. Without this as a primary conception, no system of government can have a permanent existence. Various systems of a disciplinary nature have been established among men, but of no system which history discloses can it be said that it was established upon that eternal and fundamental principle. Expediency and empiricism have alternately dominated man's reason and belief, and even these have too frequently given way to class legislation, martial despotism, and religious bigotry.

The anarchistic movement of to-day is the natural reaction against the European system of too much government, and the American people are made to feel this reaction because they have allowed the politics of Europe to influence the politics of America entirely too much. Where it is superstitiously believed that the business of government is to inquire into a man's personal and family affairs, to order his coming and going, to regulate values arbitra-

rily and to do ten thousand other absurd things, the idea of individual liberty is lost, and it is natural to expect sooner or later a reactionary movement to set in and go to the other extreme. Many of us do not seem to be aware of the fact that man is largely what his government makes him. Every civilized country to-day has among its citizens a certain number of anarchists. Every effort is made to obliterate them, but their numbers increase. Quite a number of them are in our own country. What is the reason for their existence and increase, and why can they not be successfully suppressed? When men make false oaths to the assessor and thus cheat the city out of its revenue, do they not show contempt for government? When the well-dressed lobbyist secretly and openly bribes legislators and seeks to subvert public justice to the service of mammon, is he not undermining faith in government? When a coterie of men can by political intrigue and wire-pulling rob a city or nation of franchises worth millions of dollars, do they not contribute to the general corruption? When the stock gambler and lobbyist can go to church on Sunday, kneel on velvet cushions, and listen to sermons with all criticism of their methods carefully excluded, is not this a condition of social and religious anarchy? And then the trust king, who can steal the wages of his employees

and devote a small portion to endow churches and universities in order that his name may be handed down to posterity as a philanthropist, is not he much more a menace to government than an insignificant number of men of unbalanced minds? Truly our social system makes but a travesty of justice.

What chance in the world of business has the young man of to-day but to become the employee of some large corporation and thus make a first-class machine of himself? He is expected to study the interests, not of himself, but of his employer, which also, only too often, are opposed to the interests of the community. The day is passed when the country boy can come as of old into a large city and by honest industry amass a competency. The opportunities that may still exist are becoming scarcer and scarcer each year. As opportunities for self-employment have become fewer and fewer in number we have seen the tramp become a recognized member of the body politic, crime has increased, necessitating in all our large cities a great police force and courts and jails maintained at an enormous expense.

We might truthfully say that each generation has its own difficulties to solve. The problem of the passing generation was the abolition of chattel slavery. The problem of the generation now living is the abolition of industrial

slavery. There are but two ways in which a man can get a living in this world—either he must work for it himself or someone else must work for it for him. Even if a person should inherit wealth he is not exempt from this general statement, because the natural forces of decay, which are ever active in the world, must be overcome by an equivalent force of reproduction, and that reproductive force is human labor. Eliminating the very small percentage of persons incapable of productive labor, it is evident if a man does not work, yet receives a living, that the law gives him the power to appropriate the labor of others without rendering an equivalent. The essence of slavery is, that one man does the work and another receives the product. Slavery can exist without laws permitting the purchase and sale of human beings. The slavery of to-day is only more subtle and indirect. It is quite as actual and felt even more keenly. The slavery of to-day, and, in fact, of all times, has proceeded from that fundamental evil—private property in land.

Superficial thinkers have a great deal to say on the sacred rights of property, and what should be taxed and what should not be taxed. They utterly fail to see that to tax private property is to deny the right to private property; yet it is upon this false and vicious principle of denial that our whole economy of government is

based. From the insane utterances of those who boast of the sacred rights of property one would suppose that property has rights but men have not. A municipality puts a tax upon dogs when they become too numerous and when the desire is to diminish their number. We do not say that a tax is put upon capital for the same purpose, but we cannot deny a similar effect, namely, a decrease in the production of wealth and a depression in wages. In affirming the rights of man and the rights of property, it cannot be too often repeated that rent is not an individual creation. It is essentially a public creation, and as such should be taken by the public for the benefit of all. In the protective tariff theory we have one prominent instance how human rights are denied and wages in consequence depressed. We know that *freedom* of exchange *increases* wages. From this we must logically infer that *restriction* of exchange *decreases* wages. We challenge any one, however great his abilities, to disprove the proposition; and if the proposition be true, then how can men fix their faith in a protective tariff? It is but a species of the black art in government: the greatest deception in all political organization, save perhaps that monstrous blasphemy—the Divine right of kings.

Liberty and privilege are an anomaly in all government. Either one is hostile to the other.

Liberty enlightens mankind, privilege enshrouds him in superstition. Liberty is the source of good government, privilege is its destruction. Liberty awakens in mankind those aspirations for a higher and nobler state, privilege robs him of his morals and makes him a slave to his baser nature.

Landlords, bankers, and self-seeking politicians—these are the influences of organized privilege that bribe our legislators, that corrupt our politics, break our laws, subvert our rights, and make society a prey to their selfish ambitions. Why should it be difficult for bankers to declare large dividends when their very debts are made capital for them? Why should it be difficult for the lawyer class to become wealthy when it makes itself the mouthpiece of vested wrong and strives to perpetuate its existence by framing laws in direct opposition to the self-evident facts of human nature? Why should not the landlord and trust magnate revel in luxury when rent and special privilege are their private property?

Such is the condition of society under the cruel domination of heartless aristocracies and soulless corporations; of a society whose leaders declare that a few are born to govern and the many to be governed. We cannot forever apply the balm of empty charity to the wounds of poverty and wrong and imagine that we

have done justly. We cannot forever escape the consequences of our wrong, nor should we hope to do so. Let us press forward in the conflict of human right with vested wrong, of reason with superstition; and though the victory may be deferred for a while, yet in the end must we surely win.

CHAPTER X

ALIEN LANDLORDISM AND ITS REMEDY

The following articles, taken from representative metropolitan journals, will give an idea of the way in which the American people are laid under perpetual tribute to foreign landlords. In the *Chicago Times* of February 1, 1895, the following appeared:

"That English aristocrats should own large domains in the United States and rule them from London is at first a difficult thing to grasp. Not until it is borne in mind that peers and peeresses of Great Britain are large landed proprietors in our country (Viscount Scully alone owns three million acres in Illinois, Iowa and Nebraska), does the significance of absenteeism in landlords become apparent. But now the matter will be brought home to Americans more directly than it has ever been brought home yet, for there is shortly to be a union in London of the American land-owning interests, and a series of drastic measures are scheduled, which it is believed will not only increase the annual rentals of the vast domain

involved, but which will greatly affect the density of the hundreds of thousands who dwell upon it.

"First of all, a list of the members of the aristocracy who own the lands in question will not be without interest. Such a list has never before been given in full. The greatest of the English holdings and the persons interested are these:

"*The Texas Land Union (Syndicate No. 3,)* 3,000,000 acres.—Interested peers: Baroness Burdette-Coutts, Earl Cadogan, H. C. Fitzroy-Somerset (this is the Duke of Beaufort), William Alexander Lochiel, Stephenson Douglas-Hamilton, Duke of Beaudon, the Duke of Rutland, Ughtead J. Kay-Shuttleworth, Eand Ethel Cadogan (maid in waiting to the Queen). This syndicate owns whole counties in Texas, and tens of thousands of persons pay it rentals.

"*Sir Edward Reid, 2,000,000 acres.*—This is a syndicate which owns lands in Florida only. It includes the present Duchess of Marlborough, Lady Randolph Churchill and Lady Lister-Kaye.

"*Viscount Scully, 3,000,000 acres.*—His lordship maintains an elaborate system of bailiffs.

"*Syndicate No. 4, 1,800,000 acres.*—This syndicate has all its holdings in Mississippi. It includes the Marquis of Dalhousie, George

Henry Howard Cholmondeley (Viscount Cholmondeley), Georgiana, Viscountess Cross, the Hon. Lady Hamilton Gordon, and the Hon. Lady Biddulph.

*"Marquis of Tweeddale, 750,000 acres.—*The Marquis is William Montagu Hay, famed all over Scotland as the rack-rent lord.

*"Phillips, Marshall & Co., London, 1,300,000 acres.—*This firm has the whole peerage for its clients.

*"The Anglo-American Syndicate, London, 650,000 acres.—*The funds of widowed peeresses are largely invested here. The lands are in the South and West.

*"Bryan H. Evans, 700,000 acres.—*Mr. Evans resides in London. His lands are in Mississippi.

*"The Duke of Sutherland, 125,000 acres.—*This is the actress-loving, champagne-bibbing and rack-rent nobleman of police court fame.

*"William Whalley, 310,000 acres.—*Mr. Whalley is the squire of Peterboro, England.

*"The Missouri Land Company, 300,000 acres.—*This operates a Missouri domain and has headquarters at Edinburgh.

*"Robert Tennant, 230,000 acres.—*This is all farming land. Mr. Tennant lives in London.

"Dundee Land Company, 247,000 acres.

"Lord Dunmore, 120,000 acres.

"Benjamin Newgas, Liverpool, 100,000 acres.

"Lord Houghton, 60,000 acres in Florida.

"Lord Dunraven, 60,000 acres in Colorado.

"English Land Company, 50,000 acres in California.

"Alexander Grant, London, 35,000 acres in Kansas.

*"Syndicate No. 6, 110,000 acres.—*This syndicate includes the Earl of Verulam and the Earl of Lankeville. The land is in Wisconsin.

*"M. Elfenhauser, of Halifax, 600,000 acres.—*The land is in West Virginia.

*"Syndicate No. 1, 50,000 acres.—*This is a Scotch concern, and its land is in Florida.

"Twenty-seven million acres, the total.

"It is claimed that fully 20,000,000 acres of American land are thus owned by great landlords in England and Scotland. This does not include the Holland Syndicate, which owns 5,000,000 acres of grazing land in Western States, nor the German Syndicate, owning 2,000,000 acres in various States.

"It is well known to those who have casually looked into the matter that foreign land-owning has much impeded the development of the Western commonwealths. These great land owners positively refuse to sell. They prefer to establish a system of agencies and bailiffs, with the result that serious complications have resulted. The State legislatures have done

their best to deal with the question, but heretofore with only indifferent success. Viscount Scully is, rightly or wrongly, made the scapegoat of this whole business. He has for years been a thorn in the path of one State administration after another, and his shrewdness in evading every provision of law directed against him has extorted the admiration of thousands. Thus Scully practically owns, in Illinois, the best part of the counties of Logan, Livingston and Tazewell. The State in 1887 passed an alien land law, directed solely against Scully. To evade it he insisted beforehand upon a clause in all his leases stipulating that the lessee should pay all taxes accruing against the property leased. The result was the creation of a large and solid body of voters in the 'Scully Counties,' as they are called, opposed to propositions of public improvement by taxation."

The *Pittsburgh Post* of October 26, 1896, contains the following:

"As announced in the *Pittsburgh Post* last fall there is consternation among the leaseholders of the Schenley estate in Allegheny, Pa. Quit notices have been served to tenants providing that there must be improvement on the property or there will be no renewal of leases. As the leases expire April 1, this year, 1897, and the notices affect over four thousand leaseholders, the announcement of the Schenley

estate agent has caused a big-sized sensation. The notices affect several thousand merchants and business men of all descriptions.

"The Schenley estate in Allegheny embraces about 150 acres, some of it being the most valuable business property on the north side, east of Federal Street.

"The agent for the Schenley estate in Pittsburgh, when seen in regard to the matter, said that Mrs. Schenley was carrying out her well known policy in regard to her tenants. That was that they must erect buildings in keeping with the neighborhood. Mrs. Schenley always exacted that buildings be put up that would be a credit to Pittsburgh and Allegheny, and for this the two towns should feel grateful. If the tenant will not guarantee to erect substantial buildings there will be no renewal. Most of the leases in Allegheny are twenty-year leases, dating April 1, 1877. A few fifty-year leases, dating April 1, 1847. At the time these leases were drawn the city was very different from what it is to-day. Parts that are now modern business centers were then cornfields and meadows. The localities demand newer and more modern buildings. Alleghenians will thus see before long the obliteration of many familiar but ramshackle affairs that now pass for houses or stores, and in their places will be more modern buildings.

"The rentals will also be increased. It is said that all the leases from April 1 on will be for twenty years and will contain a proviso that if the leaseholders erect suitable buildings on them within a certain time they will have the privilege of renewing their leases in 1917."

A writer thus comments on the foregoing in one of our magazines:*

"The Schenley estate is a good illustration of the process by which the American people are laid under contribution to foreign landlords. Mrs. Schenley was born in Allegheny county, Pa., in 1824, the youngest of four children of John O'Hara, who had a six hundred acre farm where Allegheny City now stands. In 1840, at sixteen years of age, she married Captain Schenley, of the British Army, and took up her residence in England. Then, in 1840, Pittsburg, Pa., was a city of 30,000 inhabitants and the United States had 17,000,000 souls. A few years after, on reaching her majority, Mrs. Schenley got control of one-fourth of her father's 600-acre farm in Allegheny, which was growing into a city by the overflow of population from Pittsburg across the river. Captain Schenley leased the land, in demand for building lots, on ground rent to persons who put up houses at their own ex-

*"*Why?*" Magazine published monthly by Frank Vierth, Cedar Rapids, Iowa, Sept. 1898, number.

pense and were fined by a yearly tax on them. Every fifteen or twenty years Schenley raised the ground rent, which, of course, the tenants had to pay? Who made the ground rent rise? Clearly the people of Pennsylvania, Ohio and West Virginia round about by their industry and increase in numbers. What did Schenley do toward it? Nothing. But yet he received the benefit in increased rents. The most superficial mind understands that lots are in greater demand in a populous city than in a village, exactly in proportion to the population; and that the owner of the ground may be thousands of miles away without affecting the result.

"From 1840 to 1900 Pittsburg has grown to a city of 321,000 inhabitants; Allegheny to a city of 130,000, and the United States to a nation of 76,000,000, and in consequence Mrs. Schenley gets a pension of \$200,000 a year from the people of Allegheny City.

"The essence of the matter is that 4,000 Americans in Pittsburg and Allegheny pay to a woman living in London, England, \$200,000 a year for the privilege of building on ground in a city of their own country. *Does she do any labor in return for what they send her?*
 2 Oh no. She does not make the land, she does not build houses for them; she kindly permits them to live in their own country, and gets her lawyers to write them little receipts. On these

paper indulgences they cannot get fat; they cannot buy food and clothing and furniture with them, and thus start up trade and exchanges. She is the master of 4,000 American serfs, who may imagine themselves free, but who, in fact, for two months in every year work and toil without any return to keep her in idle luxury in England."

Commenting on alien landlordism in general in the United States this writer further says:

"William Scully, who was one of the most notorious of the rack-renting and evicting Irish landlords, owns about 90,000 acres of the richest land in Illinois, besides large tracts in other States, from which he draws an income of \$400,000 a year for kindly permitting several thousand American farmers to till the soil in their native country. He never builds a house or puts up a fence; his tenants must do that. He does not make the land either. The humble example of Captain Schenley has been imitated by hundreds, perhaps thousands, of foreign noblemen. The investments of Scully have been duplicated by such illustrious people as Queen Victoria, Emperor William, and the Czar of Russia. The result is that their ever-increasing rent roll for our own land amounts to over \$200,000,000 per year. Some people imagine it a great thing for America that we export over \$200,000,000 worth of products

more every year than we import, *but the fact is that we have simply paid our ground rent*, just as a tenant who may imagine himself doing a large business hauling off load after load of his products to pay his rent, for which the landlord renders him no service whatever."

What is the remedy? It can only be cured by a change in our system of taxation. The change we propose is to take by taxation this rent that now goes into private pockets. As is shown in the case of the Schenleys as well as Scully and others, nothing is done by the landlord to produce the value he appropriates from those who labor upon and improve the land. That this land has rental value is due wholly to the fact that it is located in a populous community. We hold as the ethical basis for property that to him who *creates* a thing or value to him *belongs* that thing or value. The Schenleys and Scullys did not create that enormous value which they annually appropriate to themselves. If, as is seen, the community created the value, is it not proper and just that it should be taken by the community? Can a better way than taxation be devised for taking this value? In other words, would not a tax upon land values accomplish the desired result? We propose that all landlords pay to the Government the annual rental value of the land they hold. By taking this annual rent into

the public treasury and expending it for public purposes we make every one a sharer in that which he has helped to produce. This would stop the flow to foreign shores of \$200,000,000 worth of products annually for which we receive no equivalent, and which comes out of the pockets of the American laborer; not only that, but the hundreds of millions that now go into the pockets of American landlords and monopolists would go for public benefit, and the multitude of taxes which are now saddled upon industry could be abolished.

"How can industry thrive, business flourish and times be good, so long as we keep our taxing system upside down. When a mechanic builds himself a home, when a farmer builds a barn or makes any other improvement, our antiquated taxing system fines him for it year after year by increasing his taxes. What wrong has he done? He has employed the masons, the lumbermen, the carpenters, the hardware makers, the painters, etc. And for that, by our antiquated taxing system, he must be fined by an increase of tax; for he has employed laborers and that *might raise wages*.

"On the other hand, the speculator (who is also often a non-resident) keeps everybody from improving or working on his land; he even lets the buildings rot down; does not work the land himself, neither does he hire anybody, or permit

anybody to work on it except for ground rent or shares or its equivalent. What good has he done? He keeps land vacant and men idle. Is that right? No. But our same system rewards him by making his tax *low*; and even increases that reward by permitting him to sell that land at an advanced price, when other people at their own expense have brought up children to increase the population, and thus have increased the demand for that very land.

"A tax on products of labor is shifted upon the consumer, and rolls up like a snowball, so that for every dollar that goes into the treasury the consumer pays three dollars as freight to get it there. An article that costs one dollar to make, when taxed fifty cents, is reckoned by the maker to cost him \$1.50, and he charges a profit on that amount, not on the actual making price. The next man who handles it is compelled in turn to charge a profit on the entire amount the article cost him, which, of course, includes the tax. As most articles pass through half a dozen hands, the price is run up more and more, and the poor consumer, who is obliged to spend all his earnings for the support of his family, pays from *one-fourth to one-half of his wages in taxes* and their accumulations through the increase of prices.

"But some one might object that the farmer will pay all the taxes if the public funds are

raised by taxation of land values. Let us examine by the figures of the census of 1890. Ten million farmers and their families (45,000,000 souls) occupy one-fifth of the land *values*, for although the farmers occupy great areas of land, that ground has comparatively small value. Three million city people and their families (15,000,000 souls) occupy four-fifths of the land values; for the city lots are worth more by the front foot than the farm lands by the whole acre. Yet between *occupying* and *owning* there is a vast difference. The census shows that eighty-four per cent of the city people are tenants, and that thirty-two per cent of the farmers are tenants, while nineteen per cent more of the latter class are mortgagors, so that only half of the farmers really *own* their land, which is just *one-tenth* of the land value.

"A quarter of a million of the city people and foreigners own the other nine-tenths, and they would have to pay as taxes that which they now keep as rent and which attracts so many foreign noblemen to marry American landlords' daughters, in order to live on the sweat of the American farmer's brow.

"Pitt, the celebrated English statesman, said that a large *direct* taxation would produce rebellion, but that the government may tax the last bit of bread out of a poor man's mouth

and the last shirt off his back by *indirect* taxation and he will only call it 'hard times.' Man being endowed with the faculty of reason should use it. He gradually improves on the crude processes of dawning civilization. In the mechanical arts we have made improvements that border on the miraculous. When the American people see that want, misery and resultant crime are the products of a taxing system inherited from Europe, will they hesitate to make an improvement in this?"

CHAPTER XI

CONCLUSION

"Prosperity!" If the points which I have tried to set forth be true, then by what authority do you flaunt this high-sounding word, this gilded lie, in the face of honest toil? If to be prosperous means high rent, low wages and increased price of products, then our system of logic is sadly out of repair and our abuse of the king's English beyond forgiveness. If, on the contrary, "prosperity" means all that a privileged few can take from the many without being suspected, then your claim is justified.

This cry of "prosperity" is something like the cry of "overproduction." "Overproduction!" What nonsense! Have those who produced the wealth all that they need for their happiness and comfort? If not, why not? So long as the law gives to the few the monopoly of the avenues of wealth, the inequality in its distribution will be more glaring with each successive generation.

It was blind stupidity on the part of Edmond Burke when the French Revolution was in

progress to expect millions of Frenchmen, aroused to frenzy by centuries of misgovernment, to proceed by legal methods. The common people had pleaded for justice for generations, but their appeals fell upon deaf ears. The rights of the people had been violated; their homes had been invaded and the sacred traditions of their fathers thrown to the winds. The time for discussion had passed and the time for action had arrived.

We see a direct analogy between the peasant of France and the toiler of America, between the brutal aristocrat of Louis XVI and the cold-blooded plutocrat of our own country. Political adepts deceive themselves when they think that the way to raise wages and make a people prosperous is to levy heavy taxes upon them.

When we think of the innumerable schemes that are launched by those who are eager to get rich without working; of the millions of bogus stock that is annually thrown on the market and which is expected to pay dividends; of the rattle-brain schemes of financiers to issue currency on commercial paper; of the numerous speculative associations that are springing up everywhere, all to rob productive industry, it is a source of the greatest wonder that the system is maintained one day. Before I close I will again say that we are on the verge of the

greatest financial crisis the modern world has ever seen, and its coming is being hastened by the policies that the politicians have been following for the last generation. Why should we turn our backs upon questions which stare us in the face and which must be met and answered sooner or later?

Our charitable instincts will not compensate for a deliberate denial of a law of nature.

From a nation of home-owners we are rapidly sinking into a nation of tenants; from a nation where individual honesty was the rule, into a nation where corporate greed is the power that makes the laws and determines public morals; from a nation of citizens into a nation of subjects; from a nation where honesty was king to a nation where money is king; from a nation where religious conviction inspired men to noble deeds to a nation where the priest is a hireling and his profession a trade; from a nation of saving souls to a nation of saving money. These things almost stare us out of countenance and will not be set aside. It is not a true statement to say that because productive power has been increased the condition of the great mass of the people has in any way been alleviated. The means of production have undoubtedly been improved and man's productive power multiplied ten, fifty, one hundred, and in some cases perhaps a thou-

sand-fold. But it must be remembered that the demand upon the laborer has proportionately increased. In former times, when a man's productive power was, say five, the demand upon him was correspondingly five, and when his productive power was increased to twenty, the demand or exaction from him was likewise increased to twenty. So it has been in every department of industry. The demands made upon the laborer have increased in proportion to his ability to satisfy the demand. The enormous productive power which has been put into his hands has not been for him. He has not been allowed to retain the fruit of his labor, but he has been robbed of it by those who have done him the kindness to "permit him to work." "Permitted to work!" Just think of it! Here on God's earth, an earth intended for all the children of men, an earth of boundless resources, so large, so vast, and yet made so small by the artifice, by the caprice, and by the authority of men, millions of his children wander with not a home to call their own.

You may practice your deceptions, you may endeavor to cram down the throat of labor such debasing doctrines as the "full dinner pail," but the fact nevertheless remains that the workers, the producers, do not get the wealth which they produce. The rich are getting

richer and the poor are getting poorer. The *facts* of existing conditions do not agree with the prosperity theory so eloquently expounded during the last Presidential campaign. Yet what can we expect from a political organization whose bosses are committed to the propagation of false doctrine? The banks control our finances and plunder the public treasury, the corporations dictate our legislation, the trusts have made a lobby of our National Congress, and all this to the eternal shame of the politicians. You have done no permanent good, you have accomplished nothing by making gold the standard of our currency. It matters little what is the standard, so long as the law gives to a privileged few the monopoly of the means of production.

In an age of despotism, superstition usurps the throne of reason, and the high priests of falsehood, ever ready with their "inspiration" and superior knowledge, will hesitate at nothing to maintain the existing order of things. Some must be profiting by the maintenance of injustice or it would not so long hold its ground. Statisticians tell us that the average daily production of wealth per person in the United States is about ten dollars, but that the average receipts of the working classes is about two dollars. Someone must get the other eight dollars. Who gets it?

We do not believe that the American people are such fools as the politicians believe. Must we continue to send to Europe to ask the crowned "know-nothings" how we should manage our own affairs? It is time that we told the European banker to mind his own business, for there is no question of the ability of the American voter to work out his own destiny if he is but given the chance.

There is no slavery like that of the mind. It is often said that such and such a man possesses great wealth, when it could be more truthfully said that the wealth possesses the man. The fear of poverty enslaves us all, and generates in the minds of some the insatiable desire to get more and more wealth. Between the millionaire on the one hand and the tramp on the other there is a difference which the reason refuses to accept as nature's provision; a difference which, like a cloud, hovers over civilization to-day threatening to engulf it in ruin. The grinding process of industrial slavery, the cry of the widow and the orphan, the groans of the oppressed, all this, contrasted with the cruel selfishness of the rich, makes society an incomprehensible anomaly of order and disorder.

We appeal to your sense of right; we appeal to your sense of justice; we appeal to those in whose brains the spark of reason yet burns and needs but the breath of a little truth to fan

it into a flame of fervor and enthusiasm. Behind the mere semblance of things there is the eternal reality. It is Deity itself, untrammelled by sense, unknown except by the light of truth. Man's chief business in this world is to bear witness unto the truth, for therein rests his only salvation.

"To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man."

We deceive ourselves when we think that we can make a compromise between right and wrong, for justice permits no such compromise.

A great deal has been said about the danger of admitting these new ideas into our politics and of the advisability of reorganizing along the old lines. This "Old Line Democracy"—what is it but the ghost, the phantom of political freedom? What has it done since the Civil War toward the emancipation of American labor? Had it not been for the lack of faith in government by the people on the part of these antiquated political doctrinaires, we would not have suffered defeat in two successive Presidential campaigns. Must we modify our principles and make them of little effect in order to invite these traitors into fellowship again? Let those so-called Democrats who think that they can destroy the Temple of Democracy and

rebuild it in three days think seriously upon the question, and if no remorse of conscience strike them, then confess Republicanism and call themselves Republicans, which to all intents and purposes they really are. We need hope for nothing from the Old Democracy, for it is dead, since the defeat of 1900, and its future has been buried in the past. Let the slothful element of the Bourbons go over to their rightful masters in the Republican Party, and then they shall know themselves as others know them. To label a man a Democrat does not make him a Democrat any more than the putting of a whisky label on a bottle of vinegar will change the contents into whisky. We will kill no fatted calf and will ask no favors of those Nestors of the old Democracy, except to mind their own business and let the growth of the New Democracy go on—as we well know it must go on. The Democratic Party must stand united on some rational proposition for social improvement and not allow itself to be divorced from the great masses of the people by a slavish submission to Plutocracy and Bossism.

There comes a time in the history of every nation when accumulated wrong must find its expression in some form or other. The beggar, the tramp, the sweat-shop, prison and almshouse, which stand to-day as living monu-

ments of industrial slavery and the accumulated wrong of centuries, would disappear with freedom of opportunity for labor to employ itself. Behold in society to-day the hideous spectacle of vice paraded under the name of virtue, and of an organized hypocrisy maintained by a system of bribery and fraud; while in high places sit those whose only claim to distinction is their utter subserviency to the powers that be.

Free land, free trade, free men—this is the trinity, the basis of all future political philosophy. With it nations, like men, “may rise on stepping stones of their dead selves to higher things.” The fatherhood of God and the brotherhood of man may then reasonably be hoped for. Without it, we will sink hopelessly into those conditions in which the effete monarchies of the old world have struggled, and struggled in vain. The arrogance of the few possessing all; the division of the people into classes; the contempt on the part of the few for the rights of the many—these things conspiring to produce social decay, will make the perpetuation of a republic an impossibility.

“When political economy shall have done her work on earth, and taught men how to evolve the maximum of material good, and when equity shall have taught men to construct society in accordance with the principles of jus-

tice, the reason of mankind will still go onward, and the higher and nobler good, the aspiration after immortality, will still beckon on humanity; and earth, transformed by truth harmoniously reverberating from nature to reason, and from reason to revelation, shall at last rejoice in the universal knowledge of Him whose kingdom is everlasting."



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